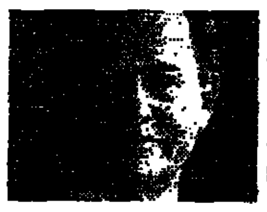

**All things to all men**
*Japanese unsure about multimedia*
Page 10



**Bolger's budget**
*New Zealand's first surplus for 20 years*
Page 18

**The mouseketeer**
*Bernard Tapie and the French*
Page 19

**Los winstoneros**
*Spain's contraband cigarette industry*
Page 2


# FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JULY 5 1994 — D8523A


## Rwandan rebels take capital and confront French

Rwandan rebels captured key government positions in the capital. Kigali, and took Butare, the last big government-held town in the south. French troops, originally instructed to avoid any clashes, were ordered by Paris to halt any further rebel advance. But the rebels pledged to push on with their military advance, saying French troops had no business in Rwanda and would be seeking confrontation if they stood in the rebels' way. Page 5

**AGF sale confirmed:** The French government is to go ahead with privatising Assurances Générales de France this autumn despite recent weakness in the Paris stock market. AGF is the country's third-biggest insurer. Page 21

**Signs of UK recovery strengthen:** UK building suppliers gave fresh evidence that the country's recovery is spreading across the economy. Meanwhile official figures showed retail spending stayed buoyant despite April's tax increases. Page 8

**Diplomat gunned down:** Greek terrorists shot and fatally wounded a Turkish diplomat as he drove to work in Athens. Three men drove their car alongside that of deputy chief of mission Haluk Sipahioglu and opened fire. The extreme leftist November 17 terrorist group claimed responsibility.

**Swedish bond issue success:** Swedish finance minister Anne Wibble welcomed strong interest from investors in a big state bond issue and rejected criticisms of the government's fiscal policies. Page 20

**Treuhand sues bank:** Treuhandanstalt, the industrial reconstruction agency for eastern Germany, has launched legal action in Zurich against the Swiss subsidiary of Bank Austria to recover Sch1.76bn ($156.6m) plus interest. The money was allegedly hoarded there by agents of the former east German Communist party. Page 2

**Aden under attack:** North Yemeni troops bombarded the southern city of Aden, where half a million people have been surviving in temperatures of up to 40 degrees Celsius without mains water supplies. They also captured the eastern port of Mukalla.

**Deutsche Bank men lose jobs:** Four Deutsche Bank executives have lost their jobs over the collapse of the Jürgen Schneider group but they had not behaved dishonourably, the bank said. Page 2

**Mitterrand hails South Africa:** French president François Mitterrand told South Africa's parliament that the country's transition to democracy was an example for Africa to follow. Page 5

**Scottish & Newcastle**, the UK drinks and leisure group, improved annual taxable profits by 22 per cent to £222m ($337.4m), thanks partly to a strong six-month contribution from its Chef & Brewer pubs acquisition. Page 21

**RWE,** Germany's biggest utility, forecast slightly better profits for the year to June but strong earnings in the coming year. Last year RWE earned DM881m ($540.4m). Page 21

**Ireland ousted:** The Netherlands' footballers produced their best form to beat Ireland 2-0 and book themselves a place in the World Cup quarter-finals. The first goal came from Dennis Bergkamp (left), the second from Wim Jonk, and Ireland could not recover. World Cup, Page 4

**Burda,** German magazine publisher, confirmed yesterday it was negotiating to acquire a 25.1 per cent stake in the ailing Vox TV station, to join Rupert Murdoch's News Corporation and the Bertelsmann media group as a major shareholder. Page 21

**Rewards offered for finding baby:** A total of £50,000 ($76,000)in reward money was offered for help finding abducted baby Abbie Humphries, who was taken by a bogus nurse from a Nottingham hospital on Friday.

**Child agency blames fathers:** Fathers who campaigned against Britain's newly-formed Child Support Agency were blamed for contributing to its £112m ($170.2m) budget shortfall. The agency assesses and collects maintenance payments from absent parents to support those who care for their children.

**Doctors blast NHS changes:** Sandy Macara, leader of Britain's doctors, strongly attacked the government's health service changes. The British Medical Association conference gave Dr Macara a two-minute ovation when he protested about low morale in the service. Page 8

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2970.4 | (+34.0) |
| Yield | 4.17 | |
| FT-SE Eurotrack 100 | 1326.87 | (+12.55) |
| FT-SE-A All-Share | 1483.03 | (+0.9%) |
| Nikkei | 20,631.93 | (+88.52) |

**■ LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 5 3/16% | (Same) |
| Liffe long gilt future: | Sep100 5/32 | (Sep 99 3/32) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (August) | $17.47 | (17.63) |

**■ GOLD**

| | | |
|---|---|---|
| London | $386.95 | (385.0) |

**■ STERLING**

| London: | | |
|---|---|---|
| $ | 1.5384 | (1.536) |
| DM | 2.456 | (2.4525) |
| FFr | 8.4159 | (8.4044) |
| SFr | 2.0612 | (2.0571) |
| Y | 152.143 | (151.808) |
| £ Index | 79.6 | (Same) |

Tokyo close Y 98.67

The New York markets were closed yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 |
| Bulgaria | Lw25.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL50 |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | Skr16 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Pso50 | Syria | S£50.00 |
| France | FFr9.50 | Kuwait | Fils.625 | Poland | Zl 32,000 | Tunisia | Din1.500 |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Es225 | Turkey | L30000 |
| | | | | | | UAE | Dh12.00 |

# Alcatel chairman questioned over use of funds

## Sharp drop in company's shares drags Paris market lower

By John Ridding in Paris

Mr Pierre Suard, chairman of Alcatel Alsthom, one of France's largest companies, was detained for questioning yesterday by magistrates investigating alleged misuse of corporate funds and over-billing by a subsidiary of the telecoms and electrical engineering group.

Alcatel described the detention as "scandalous" and said Mr Suard did not exercise any functions at Alcatel CIT, the subsidiary under investigation

Alcatel shares plunged on the news, falling 8.3 per cent to FFr541 and pulling the Paris stock market lower. The CAC-40 index of leading shares closed at 1,866, compared with the day's high of 1,907.

The detention of the Alcatel chairman, who was being questioned at Versailles, west of Paris, is the latest blow to France's industrial establishment.

In May, Mr Didier Pineau-Valencienne, chairman of Groupe Schneider, the electrical engineering group, was arrested in Belgium and detained for 12 days as part of an investigation into alleged fraud concerning the treatment of minority shareholders in two of the group's subsidiaries. Mr Pineau-Valencienne, who has been released on bail, has denied the accusations.

Mr Suard is one of France's best-known businessmen, credited with the rapid expansion of the group since 1986 when he took the helm of Compagnie Générale d'Electricité, later Alcatel Alsthom. He is close to senior members of the Gaullist RPR party, including Mr Edouard Balladur, the prime minister.

The company, with 196,500 employees and reported profits of FFr7.1bn last year on sales of FFr156.3bn, is one of the world's largest telecommunications and engineering groups. It has a joint venture with GEC of the UK and manufactures the high-speed Train à Grande Vitesse.

Mr Suard's detention, which can last for 48 hours, is the latest step in an investigation into alleged over-billing of France Télécom, the state-owned telecommunications operator, by executives of Alcatel CIT.

The origins of the investigation date back more than a year to an inquiry into two former employees of Alcatel CIT who were accused of manipulating prices for equipment ordered by France Télécom for their own benefit.

According to Alcatel, the employees accused senior executives at the company, including Mr Suard, of having work done at private properties at the company's expense. In May, Mr Pierre Guichet, chairman of Alcatel CIT, and Mr Jacques Imbert, assistant managing director at the parent company, were placed under investigation in the affair.

Alcatel Alsthom has strongly denied any wrongdoing. In a letter to employees in May, Mr Suard condemned what he described as "a campaign of defamation". He said he had paid for all personal work at his home, except security measures, and Alcatel had never engaged in over-billing, false billing or double accounting.

According to Alcatel, the installation of security devices at Mr Suard's home had been carried out on the recommendation of the government.

The Tapie affair, Page 19
World stocks, Page 38

# Bonn insists weak dollar will not be focus of G7 summit

By Quentin Peel in Bonn and Philip Gawith and Graham Bowley in London

The German government moved yesterday to dispel expectations that the summit of the world's seven leading industrial countries this weekend will try to take action to strengthen the weak dollar.

Although financial markets were generally quiet yesterday, a tightly compressed week of policy-making meetings – today's session of the US Federal Open Market Committee, the policy making body of the Federal Reserve, a Bundesbank council meeting on Thursday and the G7 summit in Naples beginning the next day – has intensified speculation that some effort may be made to support the US currency.

The dollar finished in London at Y98.9 and DM1.5965, barely changed from Friday's close of Y98.705 and DM1.5946. US financial markets were closed for the July 4 holiday.

Last week the dollar fell against the yen to a post-war low of Y97.68 and concerns about the US currency contributed to general financial market volatility.

But the most senior German government official involved in the preparation for the G7 summit in Naples said yesterday he did not understand "the recent excitement about the dollar, especially in relation to the European currencies".

Mr Gert Haller, state secretary in the Finance Ministry and Chancellor Helmut Kohl's personal "sherpa" for G7, said: "The developments of recent weeks have fortunately had no significant effect on European exchange rates. I cannot see any reason for excitement in that."

At about DM1.60, the dollar/D-Mark exchange rate was in line with its long-term average rate, he added.

Mr Haller said a special problem existed in the exchange rate between the dollar and the yen, stemming directly from the "difficult relations" between the US and Japan over their trade imbalance.

Analysts in London said the Fed committee faces a dilemma today in that a rise in US interest rates is likely to push US and European markets lower and might be seen as a precursor for more action at the G7 meeting.

Yet keeping rates at their current levels could cause a further bout of dollar-selling. Despite Mr Haller's apparent lack of concern at the dollar's current weakness, the state secretary said trends in the long-term capital markets, particularly rising US interest rates, were indeed a worry for Germany.

He said this did not reflect the progress made by the German government in bringing its deficit spending under control, nor the steady decrease in the German inflation rate, most recently to under 3 per cent.

"If you look at the short-term interest rates today, I believe there is room for further reductions in long-term rates," he said.

Mr Haller said he expected the general improvement in the world economy, combined with concern at the continuing high level of unemployment, to dominate the G7 economic agenda.

Germany will also be pushing at the summit for a firm commitment to more financial assistance to help with nuclear safety in the former Soviet Union and eastern Europe.

Swedish bonds issue, Page 20
International bonds, Page 25
Japan's rising imports, Page 5

China's prime minister Li Peng with Chancellor Helmut Kohl at the start of a week-long visit to Germany. China yesterday condemned the imposition of EU quotas on a range of its exports Page 20 Reuter

# China plans to build up large-scale car industry by 2010

By Tony Walker in Beijing

China plans to establish three to four "internationally competitive" vehicle makers by 2010 and intends to encourage private purchases that would make cars a "part of Chinese family life".

Under the new policy unveiled yesterday, China emphasised its determination to build an industry in which the development of large-scale manufacturers would be encouraged in a now fragmented industry.

"The immediate target is to allow, within this century, two to three vehicle-manufacturing groups to grow into large corporations with considerable capacity, [including] six or seven vehicle makers which would become the backbone of the industry," the policy stated.

It added that, by 2010, three to four "internationally competitive" vehicle makers should emerge as part of a policy that would "link the strong with the strong".

Representatives of foreign automotive companies jostling for a share of the market welcomed the policy, saying it appeared to provide relatively clear guidelines for the industry's development.

Foreign manufacturers yet to

Continued on Page 20
Foreigners back policy, Page 6

# ICI and Enichem consider flotation of PVC subsidiary

By Paul Abrahams in London

Britain's Imperial Chemical Industries and Enichem of Italy are considering the flotation of EVC, their 50-50 polyvinyl chloride subsidiary.

The flotation suggests a continuation of ICI's strategy of quitting the commodity chemicals business. Last year it sold its fibres business to Du Pont of the US, and its polypropylene capacity to BASF of Germany.

EVC is Europe's largest manufacturer of PVC with capacity of 1.1m tonnes a year and about 20 per cent of the European market.

The potential flotation follows the collapse of a possible management buy-out. Oxychem, a Dallas-based group and a leading US PVC producer, had also expressed interest, but its offer is understood to have been too low.

Analysts were yesterday unsure how to value EVC, given how little is known about it. Turnover last year was about £750m ($1.14bn). Operating losses were about £100m, taking into account raw material discounts provided by the parent companies. ICI says the subsidiary is now trading profitably.

The only comparable company is Geon, the Ohio-based PVC manufacturer floated in March last year by B.F. Goodrich, the specialty chemicals and aerospace group. Geon has a market capitalisation of $730m on sales of about $950m. However, the recovery of the US PVC market is more advanced than in Europe, possibly making Geon's valuation higher than EVC's.

EVC has moved into profit in the last quarter after the rapid upturn in European PVC prices – from a low of DM0.95 ($0.58) per kilogramme of pipe-grade plastic in the second quarter last year to DM1.3 ($0.79) at present, according to Chem Systems, London-based chemicals consultants.

Prices have risen since the collapse of imports from 700,000 tonnes a year in 1992 to 300,000 tonnes this year. Production problems have hit east European imports, and US imports have dropped following buoyant demand in North America and Asia. In Europe, production increased 6 per cent during the first four months this year, according to Chem Systems.

EVC's main competitors are Solvay of Belgium with 905,000 tonnes capacity a year, Elf Atochem of France (705,000 tonnes a year). Vinnolit, a joint-venture between Hoechst and Wacker of Germany (635,000 tonnes a year) and Shell, the Anglo-Dutch consortium (500,000 tonnes a year).

Merchant bank S.G. Warburg is advising ICI, while UBS is representing Enichem.

Lex, Page 20

# France seeks EU curbs on UK beef

By Alice Rawsthorn in Paris and Michael Lindemann in Bonn

France has joined Germany in pressing for restrictions on British beef exports to the rest of the European Union, while Germany said yesterday it had won sympathy from the Benelux countries for its plan to impose a six-month ban on UK beef.

The French agriculture ministry confirmed that Paris supported German efforts to prevent the spread of bovine spongiform encephalopathy, so-called "mad cow disease", by imposing restrictions on imports of British beef.

But officials emphasised that France was pressing for general action by the European Union and had no intention of imposing its own national restrictions.

The agriculture ministry in Paris said: "We have, together with Germany, presented proposals to the European Commission for limitations on British beef imports. But we do not plan to take action on a national basis."

Even so, French support for restrictions will cause particular concern in the UK, since France is by far its biggest foreign customer for beef.

Mrs Simone Veil, the French health minister, and Mr Jean

Continued on Page 20



CONTENTS



 No 32,410 Week No 27 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

# Auditors hit at lending by Deutsche

By David Waller in Frankfurt

Four senior executives of the Deutsche Bank resigned yesterday following the publication of a critical auditors' report into the bank's lending to the Jürgen Schneider group, the property empire which collapsed in April with debts of more than DM5bn (£2bn).

The auditors concluded that Deutsche had been the victim of systematic deception and that there was no evidence of dishonourable conduct at the bank, the biggest creditor to Schneider, and owed DM1.2bn. But, they found, Deutsche was lax in the way it dealt with its loans to Schneider and "more critical processing should . . . have brought the deception to light".

Deutsche invested too much trust in Mr Jürgen Schneider, the entrepreneur whose disappearance in April triggered the company's collapse, the auditors said. "Not least because of the level of trust invested in Mr Schneider, the level of information and controls [at the bank] were not commensurate with the risks entered into," the Wollert-Elmendorff Deutsche Industrie-Treuhand accountancy firm concluded.

Acknowledging the justice of the criticism, Deutsche said that it had implemented changes in its internal processing and control systems to prevent similar mistakes being made again. "Throughout the group the rules for real estate financing have been strengthened," the bank said, "in particular concerning the criteria for valuation [of properties] and disbursement [of loans]."

The executives leaving the banking group as a result of the affair are: Mr Jürgen Huvendick and Mr Detlev Rode, both board directors of Deutsche Centralbodenkredit, the Deutsche property lending subsidiary through which the bulk of the group's DM1.2bn loan to the Schneider group was channelled. Mr Klaus Peter Fischer, a senior official at Deutsche's Baden-Baden branch, and Michael, Prince of Sachsen-Weimar, a senior official at the Mannheim branch, were said to have resigned from the bank by mutual agreement.

The admission of mistakes and the resignations contrast with the bank's reaction in the immediate aftermath of Schneider's disappearance when Mr Georg Krupp, Deutsche Bank main board director and chairman of the centralbodenkredit supervisory board, said the bank had not made any errors.

But as the scale of the alleged fraud mounted, the bank hinted that there would be personnel consequences.

The report gave some comfort to Deutsche, which lent money to Schneider based on property valuations and estimates of space to be let which turned out to be dramatically optimistic. Schneider's properties – prestige developments in historic city centres – were different from others and therefore difficult to value, the auditors said.

The whereabouts of Mr Schneider remain unknown. Reports that he attempted to make contact with Frankfurt-based prosecuting authorities via a Swiss lawyer have not been confirmed.

# Russian investment 'to surge'

By John Lloyd in Moscow

A vastly increased rate of foreign investment in the Russian economy for this year was forecast yesterday by Mr Anatoly Chubais, the deputy prime minister for privatisation – in a confident survey of a process which has thrown state companies into private hands at a rate and in a volume unmatched anywhere in the world.

His forecast was backed by a senior foreign banker in Moscow who – speaking on conditions of anonymity – said that "a lot of private and company investors have been coming in and quietly investing in Russian privatisation. My impression has been that there is a lot more than we have thought because they have been doing it discreetly and don't want to draw attention to themselves."

Mr Chubais said that estimates of a $1bn-$1.5bn limit on foreign investment in Russia in the course of this year had to be sharply revised upwards to between $6bn-$10bn, according to forecasts made by the state property committee, which he chairs.

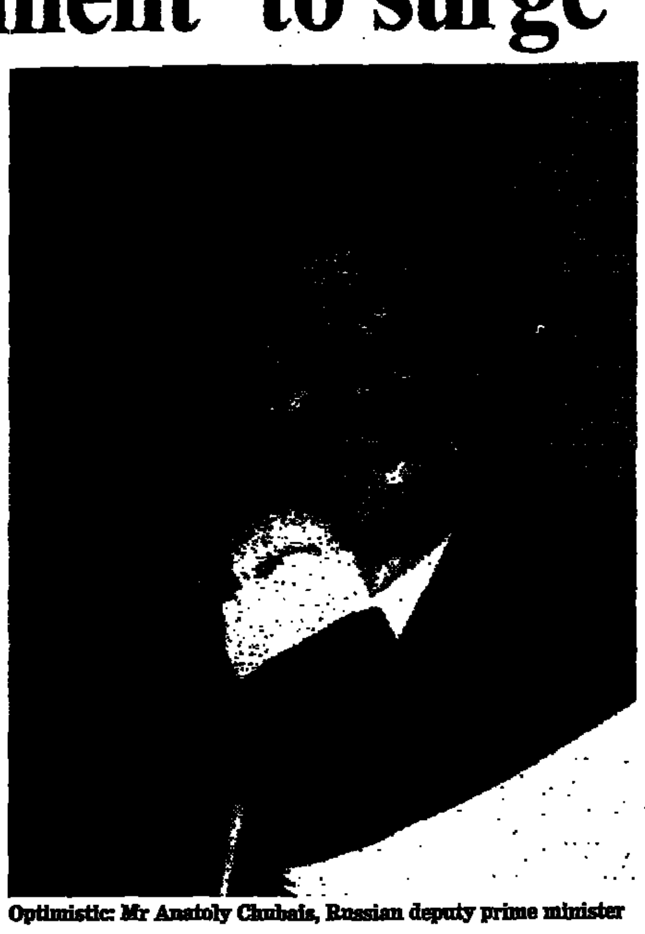
He said that Russian capital flight – estimated at more than $25bn – was now returning because "it is more profitable to keep money here in rouble accounts than abroad in hard currency accounts". The real interest rate in Russia, though falling, is one of the highest in the world.

Strongly defending bankruptcy for hopeless companies – a process yet to get under way – Mr Chubais said that "we must do it not because we want to but because the country needs it".

However, Mr Chubais admitted that he had washed his hands of the privatisation process in Moscow – where only 20 per cent of large industries have been privatised.

The mayor of Moscow, Mr Yuri Luzhkov, has managed to get presidential backing to greatly slow down the process and to prolong the use of privatisation cheques to the end of the year – though they lost value in the rest of he country at the end of June.

"In Moscow we see so many breaches of the law, so many breaches of the constitution, so much corruption that I can have nothing to do with it," he said.



Optimistic: Mr Anatoly Chubais, Russian deputy prime minister

# FBI in business in Moscow

By John Lloyd

The director of the US Federal Bureau of Investigation, Mr Louis Freeh, yesterday opened a representative office in Moscow and appealed to the Russian authorities to combat crime before it overwhelmed them.

Mr Freeh told an audience of interior ministry police officers that Russian organised crime represented "a threat to world security".

The FBI chief, on a 10-day tour of eastern Europe, told a packed hall at the interior ministry police academy that the fact that Russian crime groups could "use their existing and expanding criminal networks to exploit weapons grade radioactive materials is sufficient to warrant international concern and action".

Though his speech was a model of diplomatic balance, he stressed the many mistakes made by US law enforcement agencies in the original response to the growth of organised crime which "permitted the expansion of a powerful, well-organised crime syndicate". However, he stressed the need to tackle urgently the Russian problem – now being internationalised.

As well as the "significant threat . . . of a catastrophic attack" by criminals armed with nuclear weapons, Mr Freeh stressed:

■ The potential of crime gangs "to ultimately retard Russia's economic development and precipitate the flight of legitimate capital";

■ The ability of the gangs to "launder" money from Russia through banks in the US – "a potentially corrupting influence on the banking industries in Russia and the US".

■ The threat posed to the Russian state by the growing and ruthless power of the gangs. Quoting President Boris Yeltsin, Mr Freeh said that "organised crime is trying to take the country by the throat".

■ The use of Russia as a transhipment point for drug traffic – especially by the Colombian drug cartels.

However, Mr Freeh insisted that the "law enforcement response to this criminal threat must be "consistent with the fundamental principles of justice".

# Two Irish state groups face financial crunch

By Tim Coone in Dublin

Financial crises in two loss-making Irish state enterprises came to a head yesterday.

All 560 employees in Cork-based Irish Steel were laid off and the remaining 1,100 employees in Team Aer Lingus in Dublin, the aircraft maintenance subsidiary of the state airline, Aer Lingus, were warned that the company could close "within days" if unions do not accept an ultimatum on cost-savings.

Both companies are losing an estimated I£1m (£989,000) a month, but efforts to find a compromise between managements and unions in recent weeks have failed. Talks at the weekend broke down. The government has taken a hard line with the unions, although the growing prospect of closure of both companies and the impact on unemployment figures in Dublin and Cork is causing growing nervousness on the backbenches of the Fianna Fail-Labour coalition.

Four backbench Labour MPs voted against the government last week over the Team Aer Lingus dispute, in the first sign of serious strains within the coalition since it came to office 18 months ago.

Some 850 employees at Team Aer Lingus have already been laid off, and the parent company yesterday announced it will no longer support its loss-making subsidiary. An Aer Lingus spokesman said that the remainder of Team's workforce would have to be laid off next week.

"We appear to be at the end of the road," he said. Redundancy payments for the 2,000 Team employees could cause renewed financial problems for the Aer Lingus parent.

Mr Pat Dineen, chairman of Irish Steel, said yesterday his company was now insolvent and was calling in a liquidator. Its Cobh plant produces around 300,000 tonnes of steel per annum, more than 90 per cent of it exported. A company spokesman said that up to 200 voluntary redundancies were being sought to lift productivity to around 1,000 tons of steel per man-year.

Union negotiators at both companies have argued that management survival proposals will not guarantee their financial viability. The Team Aer Lingus workforce is insisting on having its own union survival plan for the company on the table, while the management – backed by the government – is insisting that a pay freeze and revised working conditions be accepted before further negotiations can take place.

The deadlock is such that closure of both companies now appears increasingly likely. The Labour party, which campaigned in the 1992 general elections in support of the country's state enterprises, is likely to suffer the most from the political fall-out.

## Agency seeks to recover communist cash

# Treuhand sues bank

By Ian Rodger in Zurich

The Treuhand privatisation agency for eastern Germany has launched a civil court action in Zurich against the Swiss subsidiary of Bank Austria to recover Sch1.76bn ($156m) plus interest. It claims the money was deposited there by agents of the former East German Communist party in the spring of 1991 as the German Democratic Republic (GDR) collapsed.

The 359-page suit also accuses Bank Austria of co-operating fully with the east Germans, particularly in destroying the trail the funds followed.

A Bank Austria spokesman said that a series of transactions managed by a prominent Austrian communist party official was examined by the Austrian authorities nearly two years ago when the Treuhand first made its accusations and found nothing illegal.

The bank contends that it had – and still has – no knowledge that the funds came from two Berlin companies, Novum Handelsgesellschaft and Transcarbon Handelsgesellschaft.

The Treuhand claims both were known for their close dealings with the GDR government. For their part, lawyers for Novum and Transcarbon say their companies belonged to the Austrian Communist party, and that the money does not belong to Germany.

What is known is that in May 1991 Ms Rudolfine Steindling, an Austrian Communist party leader, opened two accounts with Bank Austria (Schweiz), then called BFZ Bankfinanz.

Ms Steindling was a key go-between in deals between Austria and the former East bloc countries. She is believed to exercise control over most of the businesses owned by the Austrian party.

In the months after May 1991 some Sch1.76bn was transferred into the accounts, a sum that was larger than the bank's balance sheet. The money was then drawn out gradually between June 1991 and February 1992 in amounts varying from Sch20m to Sch60m in cash.

The Treuhand suspects that most of it was used to buy Austrian savings bonds and then deposited in several anonymous numbered accounts in Austrian banks. All documentary evidence of these fund movements appears to have disappeared.

Mr Dieter Jann-Corrodi, the Zurich prosecutor, said that when he made initial investigations in 1992, he was told by BFZ that the funds were dispersed among various accounts "for tax reasons".

The Treuhand's use of civil proceedings is unusual. Money laundering is a criminal offence in Switzerland and many other countries.

Mr Jann-Corrodi said that if the case were to succeed, the bank itself would be responsible, not just one or more of its officers.

# Smokescreen hides lost Spanish revenue

## Cigarette smugglers are earning millions and staying ahead of the customs men, writes David White

In Seville and Malaga the pitches have all been allocated: one cigarette-seller at every traffic light. When each has sold his quota of contraband packets he goes to a telephone and another hawker is sent to take over.

They are known as los winstoneros, after Winston cigarettes, the RJ Reynolds brand which is Spain's favourite illegal smoke. "If everything in this country worked like the contraband network in Seville, we would be very well organised," commented a representative of Tabacalera, the semi-state tobacco company.

Tabacalera controls the legal distribution of cigarettes in Spain and has a manufacturing monopoly, including American brands made through joint ventures. Right outside its main office in Madrid is a metro station, where illegal cigarettes are sold at the entrance. Until a few months ago, contraband cigarettes were mostly sold through bars and restaurants. Then the authorities cracked down. Now street sales have shot up.

Tobacco smuggling has been on the rise in other parts of Europe, too, especially Germany. But in Spain the problem is serious. Last year the contraband trade is reckoned to have risen 47 per cent to 650m packets, almost 23 per cent of total sales of Virginia-tobacco cigarettes and overtaking Italy as Europe's largest illegal market.

These sales, with a street value of almost $1bn, are reckoned to have deprived the treasury of $750m in revenues, Tabacalera of about $320m and retailers $100m.

The reason is tax. Special tobacco taxes, levied in addition to value-added tax, have increased in the past two years from 46.8 per cent to 55.4 per cent. Spain has to bring its rates into line with a 57 per cent EU minimum next year. This rules out taking the same path as Canada, which has slashed taxes to discourage a flourishing tobacco racket (Canadian cigarettes are sent to the US and then smuggled back en masse through Mohawk reservations straddling the border).

Higher Spanish taxes have hit Tabacalera's sales, at the same time offering bigger margins for the contraband trade. A packet costing Pta270 (£1.30) at a tobacconist's or Pta300 legally in a bar now sells on the pavement at Pta200.

Until recently, the main route was the Atlantic coast of Galicia in north-west Spain. Consignments would be transferred offshore on to 25ft launches, each with up to six outboard motors, and concealed in mussel farms and old canneries. Customs took the smugglers on with boats, aircraft and helicopters.

"At sea I think we have won. But now it's getting in more easily by land," says Mr Joaquin Bobillo, director of Spain's customs department. "The people who used to run launches now run trucks."

The lifting of border restrictions within the European single market has opened up the contraband route by motorway across the French-Spanish frontier. American cigarettes are landed at Antwerp or Rotterdam. Officially destined for Morocco or Cyprus, many of them never leave the EU. For Spain, the traffic is mostly Winstons, for Italy, Marlboros.

There is now also a flow of cigarettes coming through Germany from Russia and eastern Europe, again supposedly in transit. Mr Bobillo says there has up to now been no effective way of monitoring the fake papers sent back to Germany declaring that the goods have left Spanish ports. Other sources are Andorra and by speedboat from the British colony of Gibraltar.

The recent growth in smuggling is based on solid tradition and a structure that has long been in place. There is no stigma attached to a contraband product. It may even be preferred. Spaniards still tend to assume that foreign is best. "It is a problem of culture," says Mr Bobillo, "and a hard one to solve in the short term."

A recently-dismantled operation in Madrid worked by telephone under the trade name Servitabac, offering discounts for large purchases. The offices it would call in search of clients included government departments.

Last autumn Spain introduced special stickers on packets of tax-paid cigarettes and tough penalties for bars and cafes caught selling contraband. The measures have evidently had some effect. Tabacalera's sales of premium Virginia brands, which last year fell by almost 21 per cent, have recovered sharply. More people are buying their Camels, Chesterfields, Winstons and Marlboros legally.

But Mr Bobillo says it would be impossible to round up all the illegal sellers. "What would you do with them?" he asks. "We know we can't wipe it out altogether. You cannot pick up and imprison everybody for a few cartons. We have to work on the people who are getting the tobacco to them."

It is a frustrating job for customs and police. They have followed trucks all the way to the southern port of Algeciras without success. They have carried out 35,000 inspections in bars. Of these, 8,000 have produced positive results, but even then the average haul is only 20-25 cartons. Under the law, bars face closure on the second offence. But none has been closed.

Measures against big contraband operators can have undesired side-effects. They have led to a growing connection between tobacco and drug traffic. To compensate for setbacks in their tobacco trade, Mr Bobillo says the same operators are increasingly moving into higher-profit items – hashish from North Africa and cocaine from Latin America.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EUROPEAN NEWS DIGEST

# French bank to shed 1,100 jobs

The troubled French bank Crédit Lyonnais has secured the agreement of two of the largest banking unions to shed 1,124 jobs from its workforce in the first phase of a rationalisation programme. Overall, the bank plans to cut 3,500 jobs over three years, representing nearly 10 per cent of its staff in France. Mr Jean Peyrelevade, chairman, announced details of the package earlier this year following the conclusion of negotiations with the French government for a FFr44.9bn (£5.34bn) state-backed rescue plan.

Mr Peyrelevade's management team has since been embroiled in tense negotiations with the banking unions. The bank has promised to seek no forced redundancies until next April. Crédit Lyonnais is now awaiting publication of an official parliamentary report into the cause of its present financial problems. The final document could come out within the next few weeks. *Alice Rawsthorn, Paris.*

## Communists back Kuchma

Ukraine's Communist party said it would back Mr Leonid Kuchma, a former prime minister, in the race for the presidency against Mr Leonid Kravchuk, the incumbent. The party's support could be crucial in the run-off poll on Sunday. Mr Kuchma trailed Mr Kravchuk by only 6.5 percentage points in the first round last month , when the Communist vote gave 13 points to another Socialist candidate. Mr Kuchma favours closer relations with Russia while his rival appeals to more nationalist sentiment in the country. Ukraine's Communists are the single largest bloc in parliament and have attracted enough independents to create a clear legislative majority. "The Communists are the only well-organised political party in Ukraine," said a western diplomat. "Their support could be a significant factor." *Jill Barshay, Kiev.*

## Competition urged on Enel

Privatisation of Italy's Enel state electricity corporation must aim to liberalise the sector if it is to safeguard and promote competition, the country's anti-trust authority said. Mr Francesco Saja, the authority's chairman, has written to Mr Silvio Berlusconi, prime minister, pressing for radical reorganisation. "The presence of a company with a massively dominant position in the market could seriously obstruct the entry of new operators and the development of real competition," said Mr Saja. The anti-trust authority believes Enel should be broken up and its constituent activities then sold. Privatisation represented a unique and unrepeatable opportunity to encourage competition, said Mr Saja. The present public monopoly must not be transformed into a private monopoly, he added. It is widely thought that the privatisation of Enel in its present form may not occur before next spring. Reorganisation along the lines sought by the anti-trust authority would probably put back Italian electricity privatisation by two years. *David Lane, Rome.*

## Issing unworried by M3 rise

The current strength of the D-Mark points to investors' confidence in the Bundesbank monetary policy, Mr Otmar Issing, the German central bank's chief economist and member of its policy-making council, said yesterday. Mr Issing blamed the explosion in the growth of M3 money supply since last year on "special factors" such as tax changes and market turmoil. Following the cut in the German discount rate in May, circumstances were such that there would probably be a gradual reduction in the "liquidity blockage" which had given rise to the high M3 growth, he said. His comments suggest that the Bundesbank is not likely to change its reliance on M3 at its July 21 review of monetary developments, although some economists have cast doubt on the credibility of the central bank's monetary policy as it has cut interest rates at a time when M3 growth is running at more than twice its 4-6 per cent target rate for the year. In May M3 grew at an annualised, seasonally adjusted rate of 13.7 per cent. *David Waller, Frankfurt.*

## Russia-Belarus trade pact

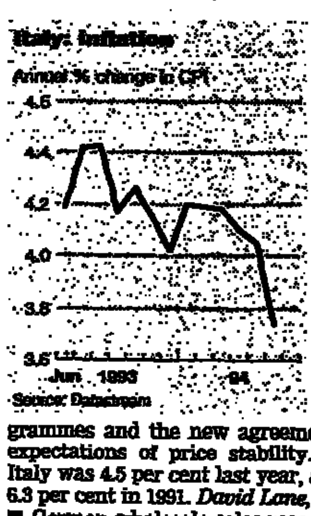
Belarus and Russia signed a free trade agreement in a further move to draw together the economies of the two former Soviet states. The signing took place at the weekend during a visit to Belarus by Mr Victor Chernomyrdin, the Russian prime minister. Economic union has been opposed by some political groups in Russia because of the proposal to exchange the Belarus currency at 1-to-1 for the rouble, though it exchanges at 10-to-1 on the free market. Mr Alexander Shokhin, deputy prime minister for the economy, said the trade agreement was "an important step", but he was cautious on prospects for full unification of the economies. The ministries of finance and the central banks of the two states had been told to finalise plans for the union by the end of July. The agreement paved the way for similar talks with other states of the Commonwealth of Independent States. *John Lloyd, Moscow.*

## Inflation falls in Turkey

Turkey's reform programme was given a boost yesterday on the eve of signing a standby agreement with the International Monetary Fund, with inflation falling to 0.9 per cent in June compared with 10 per cent in May. June inflation, the lowest monthly figure in two years, will underpin government efforts to restrain wages in the talks with public sector unions which start this month. Turkey's letter of intent with the Fund envisages an annual rate, which is now running at 115 per cent, will fall to 20 per cent by mid-1995. *John Murray Brown, Ankara*

ECONOMIC WATCH

## Inflation declines in Italy




Italy's inflation rate dropped last month to its lowest for 25 years. Consumer prices rose by only 0.2 per cent in June, giving an annual rise of 3.7 per cent. June's figure will help ease worries that the decline in inflation is slowing. The industrialists' organisation Confindustria expressed concern last month, with consumer price increases moving only slightly from 4.2 per cent in the first quarter to 4.1 per cent in April and May. However, the Bank of Italy's governor, Mr Antonio Fazio, said in May that the implementation of government programmes and the new agreement on labour costs reinforced expectations of price stability. Consumer price inflation in Italy was 4.5 per cent last year, against 5.3 per cent in 1992 and 6.3 per cent in 1991. *David Lane, Rome.*

■ German wholesale sales rose 4 per cent to DM84bn (£34.3bn) in May from April and were up a real 5 per cent year-on-year. Sales in the first five months rose 1 per cent to DM401bn.

■ Spain's trade deficit rose for the second consecutive month in May, compared with last year, to Pta233.7bn (£1.16bn), up almost 7 per cent. The deficit for the first five months was Pta896.2bn, down 4 per cent. The deficit to May with the rest of the European Union narrowed by 40 per cent, thanks to a 38 rise in EU exports.

■ Norway's current account surplus to April rose to NKr8.086bn (£755m), down from NKr9.965bn in the same four months last year.

■ Ireland's exchequer borrowing requirement showed a surplus of I£263m (£260m) in the second quarter this year against a I£92m surplus the year before.

NEWS: THE AMERICAS

# Latin America: exports hit by slow pace of reforms

By Stephen Fidler, Latin America Editor

Latin America's export performance in the last half-century has been miserable. According to Mr Moises Naim, a senior associate at the Carnegie Endowment in Washington and a former Venezuelan industry minister, the region's share of world exports sank from more than 12 per cent in 1950 to 3.6 per cent in 1992, the lowest this century.

"Years of under-investment, protectionism, and technological backwardness have made Latin America's manufacturing firms utterly inadequate to meet the exacting requirements of international markets," he argued in an article in Foreign Policy journal last year.

Exporters have been hobbled by poor infrastructure, high labour taxes, weak financial systems and unreliable contract enforcement. "Most of these obstacles are slowly being removed. But the lag in the reforms crimps the international competitiveness of Latin American exporters."

New studies, for example a report published last month by the consultancy McKinsey, suggest that economic reform is helping to improve the competitiveness of Latin American companies.

This is supported by trade statistics showing some shift away from traditional dependence on raw material exports, and rising exports of manufactures. Yet the rise in manufactures is often from a low base, and imports have been soaring.

Poor trade figures have widened the region's current account deficit, and although this was financed easily last year by capital flows, this year capital inflows have been more uncertain – underlining the continued vulnerability of some countries in the region to payments problems.

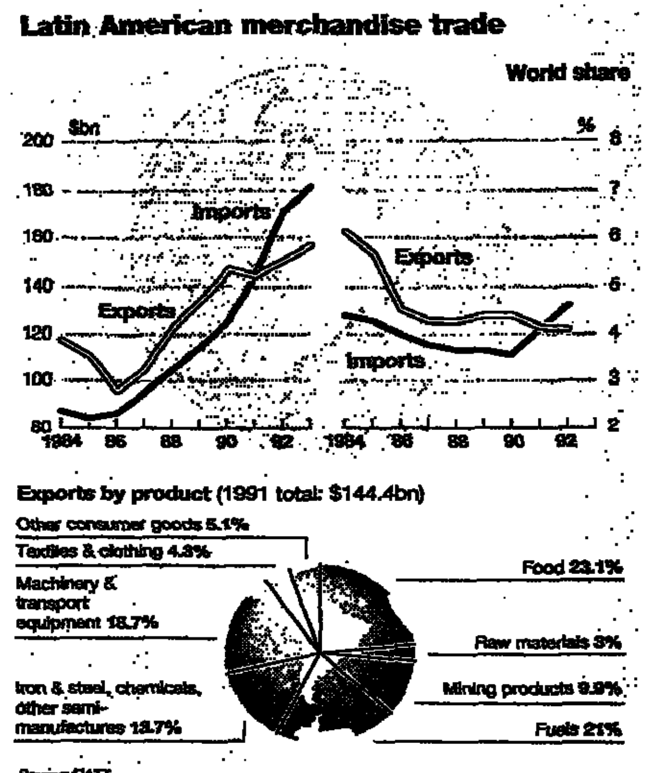
In the long term, the sustainability of these payments imbalances will hang on how the capital inflows are used. If capital inflows are financing productive capacity (as they emphatically did not in the 1970s), then exports should grow. But it is as yet unclear what proportion of the capital inflows is financing consumption and what is financing investment.

The quality of investment is also unclear – though with capital importers now largely from the private sector, investment may well be more efficient than the state-driven investment of the 1970s.

Even if investment is substantial, the time lags before the benefits flow through to exports and growth could leave economies vulnerable either to a financing crisis or a change of direction politically.

Governments throughout the region are under strong pressure from domestic business to adopt policies to help local industry, despite the poor record of similar policies in the past, which, according to Mr Naim, did little more than "enrich the few shareholders of companies in 'priority' industries and a few bureaucrats".

Latin American merchandise trade




Source: GATT

# Argentina struggles in world league

## High costs and poor quality compound widening deficit, writes **John Barham**

THE NEW ECONOMIC ORDER

Argentina's trade balance has been deteriorating relentlessly since 1991. Economists say the deficit could double to $7bn or $8bn this year – not large for an economy with a gross domestic product of $285bn but worrying given exports last year of only $13.12bn.

The deficit raises doubts about whether Argentina will be able to sustain its fixed dollar-peso parity, a central feature of economy minister Domingo Cavallo's currency convertibility plan. Economists and industrialists ascribe the rising deficit to an overvalued currency, a strong expansion in domestic demand, heavy inflows of foreign capital, weak export markets, and, at least until recently, low commodity prices.

But it has been compounded by the high cost and poor quality of Argentina's products, and the country's heavy reliance on low value-added commodities – grain, oilseeds and oil accounted for three-quarters of the 1993 exports.

Argentina has few world-competitive companies. No more than a handful can meet world quality levels, conform to international safety and design standards, or promote their products professionally.

Yet, because tariffs have been dramatically lowered and important quotas largely abolished, companies can no longer rely on captive domestic markets to buy their goods.

In the past, Argentine companies exported only at times of crisis in the domestic market and abruptly ceased when domestic markets recovered.

Argentina had a $8.28bn trade surplus in 1990, a year it was battling hyperinflation. When Mr Cavallo resuscitated the economy in April 1991 by making the currency convertible, the surplus halved. In 1992, Argentina registered its first trade deficit in 11 years and has not been in surplus since.

Mr Cavallo says the deficit does not worry him, because it shows companies are installing export-oriented capacity. He points to the growing imports of capital goods – which rose by nearly half to $6.54bn in the four months to April – and imported with zero tariffs, as the main reason for the surge in imports.

However, at about 19 per cent of GDP, investment, though growing, is widely considered inadequate. Furthermore, it is heavily angled to sectors such as infrastructure, privatised utilities, consumer finance and housing – none of which generates foreign currency earnings.

Mr Oscar Vicente, vice-president of Perez Companc, a conglomerate which bought important stakes in privatised companies, argues that "Argentina is not competitive in industry because it had bad ports, roads, electricity, telecommunications [when these] services were controlled by the state." Now managed by private companies, they are undoubtedly improving in efficiency and reliability, if not always in cost.

Yet even where investment in industry is taking place, it seems insufficient. Mr Bernardo Kosacoff of the UN's Economic Commission for Latin America, says: "Everyone is investing something. But they are very selective investments at those points where there are bottlenecks."

"We are not seeing investments to gain economies of scale to compete with imports and meet export demand."

There are a small but growing number of greenfield expansions, but they are generally concentrated in protected sectors – notably the car industry – or in industries targeted at the domestic market, such as breweries.

However, says Mr Cavallo, exports are increasing. Last year, exports were nearly a tenth more than in 1991, with the growth coming from a big rise in manufactures.

But this increase is from a low base and due primarily to privileged access to the large Brazilian market through the Mercosur trade pact. Trade barriers between the two countries have gradually fallen and should all but disappear by next January, to be followed later by Paraguay and Uruguay.

Already Brazil is Argentina's main supplier and one of its principal export markets. Brazil exports manufactures to Argentina and imports mainly commodities.

But full exposure to Brazil's bigger and better-managed companies will severely test Argentine industry.

Mr Jorge Mostany, president of Autolatina Argentina, the joint venture linking Ford and Volkswagen in Argentina and Brazil, says his Buenos Aires plant "is the most inefficient VW/Ford plant in the world".

Each worker turns out 14 cars a year, he says, nearly as many as at Autolatina's much bigger Brazilian plant. But wages in Argentina are more than double those in Brazil. An Argentine motor industry worker costs more than $2,000 a month, including tax, overtime and social security contributions.

Executives at other Argentine companies say the same thing: they pay close to first world wages but get third world productivity. Productivity has improved – Autolatina's output per worker in Argentina has tripled in three years – but from a low level.

Mr Cavallo has negotiated special agreements into the Mercosur pact to protect certain industries, notably cars. As a result, Argentina's car companies more than doubled exports to Brazil to $500m last year.

Mr Cavallo has also intervened to protect other industries most threatened by import competition – particularly from Brazil and south east Asia – by raising import tariffs, imposing quotas or granting tax breaks.

He is also encouraging companies with subsidised loans and export incentives to specialise in sectors where they are competitive, rather than making a broad range of goods inefficiently for local consumption. The danger is that this risks opening the door for demands for yet more protection as foreign competition intensifies.

Mr Francisco Macri, owner of Socma, one of Argentina's most powerful industrial groups, warns that underemployment and unemployment – which now affects nearly 20 per cent of the labour force – could rise to 50 per cent unless industry gets more time to reconstruct.

He recalls that a previous experiment with free market policies 15 years ago collapsed under the weight of an overvalued currency and unsustainable external deficits. That government, he says "thought [trade liberalisation] would make industry efficient but destroyed it. It took 15 years to restructure."

*This article is the third in a series on the recovery in Latin America. Previous articles appeared on June 24 and 30*

# Poor response to Argentine pensions plan

By John Barham in Buenos Aires

Fewer than half of Argentina's estimated 5.8m pension contributors have opted to switch from the existing state scheme into the country's new private pension system, following the disorganised and confused launch of the scheme.

The poor response comes as a disappointment for economy minister Domingo Cavallo, who had hoped the private pension fund system would simultaneously raise Argentina's low savings rate, reduce its dependence on foreign capital and provide long-term finance for industry.

Employees had from May 1 to July 1 to decide whether to continue contributing to the state's pay-as-you-earn scheme or to choose one of 22 private fund managers to handle their individual pensions plans.

Mr Francisco Cabrera, general manager of fund managers Maxima, estimates that about 1.8m people have entered the private system with about 2m remaining in the state scheme.

A further 2m people have had their pension savings parked at a fund manager run by state-owned Banco de la Nacion Argentina (BNA), following an order by Congress that the July 1 deadline be put back for 90 days.

Mr Cavallo rejected the demand for a delayed deadline, but compromised by allowing pensions to be held at BNA for the 90-day period.

Mr Cabrera said: "We are disappointed by the successive changes in the rules of the game which have confused the public. But there is a good side to all this. The concept of private pensions has been established. This is a long-term activity and it is good that people should have plenty of [investment] choices."

He said he expects just under half the 2.0m accounts at BNA will eventually move into the private system and the remainder will return to the state. However, he still believes the private system can generate the originally forecast $3bn (£2bn) annual cashflow. Under the original rules drawn up last October, contributors would have their pensions automatically transferred to a private fund manager unless they opted in writing to remain in the state system.

Those who had joined the private system could not later return to the state system. Furthermore, Congress stated that BNA's fund must provide a government-guaranteed dollar-linked yield. However, President Carlos Menem vetoed this requirement in May. Later he decreed savers would be allowed to return to the state system until mid-1996.

# Mexico's anti-trust law put to test

## Ted Bardacke finds a pragmatic approach on enforcement of competition

Mr Santiago Levy is the man charged with enforcing Mexico's year-old anti-trust law, in an economy dominated by large companies, which use their strength to limit competition, but which need to be strong to fight off foreign competitors.

Mr Levy has approached the task with delicacy, attacking monopolistic practices, but leaving the monopolies intact.

"People in Mexico generally confuse bigness with monopoly...but we're neutral with respect to size," he says. "If you say that because of economies of scale you need to be big to compete in the world market, I say fine, just make sure you don't use that power to fix prices or write contracts that are anti-competitive. Our law is behaviour-oriented.

"We're also looking at the structural characteristics of the market," he adds. "There are some markets where even if you are very large and produce something that is traded on the world market without tariffs, the chances of exercising any kind of market power are small. Our concern is to make sure that regardless of size, and regardless of the number of companies in a particular market, they all avoid monopolistic practices."

**COMPANIES DOMINATING KEY SECTORS**

| Company | Sector | 1992 Sales ($m) |
|---|---|---|
| Vitro | Glass | 3,303 |
| Aeromexico/Mexicana | Aviation | 2,140 |
| Cemex | Cement | 2,210 |
| Modelo | Beer | 1,476 |
| Bimbo | Bread | 1,456 |
| Televisa | Television | 1,355 |
| Industria Minera | Copper | 936 |
| Maseca | Corn Flour | 867 |
| DINA | Heavy Trucks | 782 |
| TMM | Shipping | 466 |

Source: America Economia

To bear this out, the Federal Competition Commission last week announced a series of moves, which included:

■ Fining five financial institutions around $600,000 (£390,000) for manipulating government securities auctions between October and November of last year. This co-ordination, which involved two of the market's biggest operators, Banamex and Operadora de Bolsa Serfin, generated an artificial discount.

■ Prising open the system by which the state-owned oil giant, Pemex, awards petrol station franchises. In the past, Pemex awarded these franchises on a discretionary basis, limiting the number of petrol stations and raising the possibility of corruption and favouritism. Pemex will now have to award franchises and deliver petrol to anyone who meets municipal land use and federal environmental regulations.

■ Forcing the country's main credit card operators to end the practice of setting unitary interest rates for their customers and a flat-rate commission for all retail outlets. Retailers will now be able to negotiate individual contracts in an effort to cut commissions which, at their current 5 per cent level, are about double those charged in the US. Retailers will also be able to offer cash discounts.

■ Fining the national associations of dry cleaners and launderers for price fixing.

■ Objecting to a proposed merger between copper wire maker Condumex, owned by principal Telmex shareholder Mr Carlos Slim, and one of its competitors, Conductores Latincasa, which would have created a company controlling almost 70 per cent of the copper wire market and dominated raw material purchasing.

Each of these cases seems to have been strategically chosen to set some form of precedent. Fining financial groups for insider trading established the right of the commission to undertake its own independent investigations of financial transactions. Similarly, taking on Pemex upheld the jurisdiction of the commission over the non-strategic areas of state-sanctioned monopolies.

The price-fixing cases against credit card operators and launderers confirmed the consumer advocacy orientation of the commission. And finally, standing up to Mr Slim, possibly Mexico's most powerful businessman, is a sign that the commission will not play favourites.

# Caldera critics face wave of security raids

By Joseph Mann in Caracas

Venezuelan security forces have carried out a wave of raids in recent days using the special powers assumed last week by the government of President Rafael Caldera.

The raids have been directed at retailers, to prevent what the government calls "hoarding and speculation"; slum city dwellers, to round up violent criminals; and prominent individuals, in connection with alleged efforts to destabilise the government.

On June 27, Mr Caldera announced the suspension of six constitutional civil and economic rights, giving the police broad powers of search, seizure and arrest only previously used during uprisings.

Since last Thursday, security forces have visited the homes of Mr Orlando Castro, who owns a radio station that has been critical of the Caldera government; retired army general Carlos Santiago Ramirez; and Mr Anibal Romero, a political science professor and a sharp critic of Mr Caldera, among others.

Maj-Gen Rafael Montero, the defence minister, said at the weekend that the raids were part of an intelligence operation that would be continuing. Appearing before a congressional committee recently, the general said the security forces were investigating groups on the left and right that were trying to destabilise Venezuela's democratic system.

Press reports suggest at least 10 prominent individuals are being held by security forces and that hundreds of youths have been detained following raids on the slum cities.

Mr Romero, whose home in Caracas was visited at night by a group of heavily-armed state security (Disip) agents, said he later met the Disip director and answered some "general questions".

A criminal court judge has issued arrest warrants against executives at eight pharmaceutical companies in Venezuela for alleged fraud in product pricing, writes Joseph Mann.

Executives, some of them foreigners, from subsidiaries of four international companies, Ciba-Geigy, Rhone-Poulenc, Sandoz and Servier, were among those cited. According to Judge Cristobal Ramirez, the eight companies supplied "padded" price lists when the previous administration was preparing price controls.

One drug company executive said the judge's decision was based on a "misunderstanding" and could be clarified. News of the warrants came as the government seeks to convince private companies they should feel confident about investing in Venezuela.

## WORLD CUP

# Holland outclass Irish to end Charlton's dream

Shrugging off criticism of their first-round form, Holland stirred memories of their heyday a generation ago by beating a bedraggled Ireland 2-0 in Orlando yesterday to take their place in the World Cup quarter-finals.

Bergkamp and Jonk scored the first-half goals for Holland which ended Ireland's low-scoring run. The Irish tried to rally in the second half – a late goal by McGrath was disallowed – but their limitations had been exposed by a far sterner and more imaginative Dutch side.

Bergkamp scored in the 11th minute and Jonk blasted home the second in the 41st. Bonner, the Irish goalkeeper – extending his record of Irish caps to 77 – grappled with Jonk's searing 25-metre drive but failed to stop it.

Holland's two-goal advantage was the least they deserved as their forwards constantly out-paced the Irish defence. Manager Dick Advocaat had flirted with the idea of fielding just two men up front but changed his mind.

Overmars, whose place on the Dutch right flank had appeared most under threat, more than justified his inclusion.

In the quarter-finals Holland meet the winners of last night's Brazil-US clash in Dallas.

### Referee's error but Belgium pay penalty

Fifa said yesterday that Swiss referee Kurt Roethlisberger would play no further part in the tournament after he admitted he should have awarded Belgium a penalty during their 3-2 defeat by Germany.

"He admitted that he made a mistake. He knows that's it for him," said Fifa general secretary Sepp Blatter.

Belgian soccer authorities attacked Roethlisberger's decision not to award a penalty in the 70th minute of the second-round match in Chicago.

They argued that his decision was the turning point of the game. Had the penalty been awarded, the German defender Helmer would have been sent off under the tough new rules introduced by Fifa aimed at preventing tackles from behind.

Roethlisberger, in his second World Cup finals, was earlier quoted telling Swiss tabloid *Blick* he realised he made a mistake when he saw a television replay of the foul.

"I decided mistakenly. The Belgians were right to claim a penalty," he told the newspaper.

### Nigerians upbeat against off-form Italy

Today's second-round clash between Italy and Nigeria pits the old against the new.

The winners of the game at Foxboro stadium near Boston take on Spain in the quarter-finals. Italy, three-time World Cup winners, have struggled to reach the second round. Their leading playmaker, Roberto Baggio, hasn't scored in eight games and has been bitterly criticized for his performance.

The Nigerian team, making their debut in the World Cup finals, boosted their popularity and chances by winning Group D, ahead of Argentina and Bulgaria.

Italy finished third in Group E with one win, one draw and one loss, scoring two goals and allowing two.

The Nigerian "Super Eagles", who have picked up the banner of African soccer from Cameroon's "Indomitable Lions", beat both Bulgaria and Greece and lost 2-1 to Argentina.

They play a fast, physical game, with a sometimes suspect defence that is compensated for by a swift counter-attack led by Rashidi Yekini and Daniel Amokachi.

Dino Baggio, who scored Italy's winning goal against Norway, was dropped from the lineup yesterday with a light left thigh strain and replaced in mid-field by Roberto Donadoni.

Irish 'keeper Pat Bonner is beaten by Dennis Bergkamp's shot to give Holland the lead in yesterday's game AP

### Soccer 'has lost to violence' says paper

With the murder of Colombian soccer star Andres Escobar, the sport had lost out to violence, the Vatican newspaper said yesterday. An editorial in *L'Osservatore Romano* said: "Sports, which above all on the occasion of great intercontinental events . . . ought to be the transmitter of universal concepts of peace, brotherhood and loyalty, have become instead the occasion for new violence."

Escobar was gunned down in Medellin, Colombia. Escobar scored an own-goal during a 2-1 loss to the US.

The memory of the 1994 World Cup, said *L'Osservatore Romano*, "won't remain that of a trophy gloriously raised to heaven, but that of a player, on the ground, down-hearted after the own-goal, symbol of both desperation and of death."

■ **Results**

Holland ........ 2 Ireland ........ 0

**Second Round Games Today**

**Nigeria vs Italy**
*Boston (6pm BST)*
**Mexico vs Bulgaria**
*New Jersey (9:30pm)*

**Quarter-finals**

**Saturday, July 9**
**Match A:** Spain vs winner of Nigeria-Italy, *Boston 5pm*
**Match B:** Holland vs winner of Brazil-US, *Dallas 8.30pm*

**Sunday, July 10**
**Match C:** Germany vs winner of Mexico-Bulgaria, *New Jersey 5pm*
**Match D:** Romania vs Sweden, *San Francisco 8.30pm*

**Semi-finals**

***Wednesday, July 13***
Winner match C vs Winner match A, *New Jersey 9pm*
*Winner match D vs Winner match B, Los Angeles, 12.30am Thurs*

**Final**
**Sunday, July 17**
*Los Angeles 8.30pm*

■ **Leading Scorers**

Salenko (Russia) 6
Klinsmann (Germany) 4
Batistuta (Argentina) 4
Dahlin (Sweden) 4
Andersson (Sweden) 3
Goicoechea (Spain) 3
Hagi (Romania) 3
Romario (Brazil) 3
Stoichkov (Bulgaria) 3

# Soaring ratings for shots of the orange crazies

## TV coverage has pleased viewers and sponsors , but annoyed purists, writes Patrick Harverson

In a cramped television production booth at the ESPN studios deep in rural Connecticut, Dennis Deninger leans forward from his seat and says into a microphone: "Do you think you can cut in a shot of the crowd? We haven't seen any orange crazies in a while."

Moments later, the scene on the TV monitor showing the Holland-Morocco World Cup game switches from the field of play to the stands, where thousands of face-painted, flag-draped Dutch soccer fans – "orange crazies" – are eagerly cheering their team.

Moments later the cameras return to the action, and Deninger, co-ordinating producer for ESPN, the leading US cable sports channel, sits back in his chair apparently satisfied.

ESPN is broadcasting 41 of the 52 World Cup games during the month-long tournament, and it has been the job of people like Deninger to bring the World Cup to life for an American viewing public which has traditionally regarded soccer as about as much fun as an Idaho potato-picking contest.

Judging by the ratings, and the comments of critics and fans, ESPN and ABC – the latter is showing 11 World Cup games – have been doing a remarkably good job so far, thanks in part to crowd shots of crazy Dutchmen, kilted Irish, robed Saudis and scantily-clad Brazilians, all of whom have brought the colour and passion of the world's biggest sporting event into America's living rooms.

Millions of living rooms, in fact. The first four games shown on the ABC network averaged a 4.7 rating, which translates into 4.4m homes. That is a larger audience than often watches baseball on summer weekends – certainly larger than ABC expected. The showcase game so far, the US vs Romania, earned a 6.8 rating (6.4m homes), the biggest audience ever for a soccer game on US television.

On ESPN, the first 24 games broadcast averaged a 2.2 rating, or 1.4m homes, an impressive audience for a sports cable channel. Its biggest audience, for US-Colombia, was larger than for ESPN's opening baseball game of the 1994 season.

If the numbers have been impressive, the quality of ESPN and ABC's coverage of the World Cup so far is best described as solid if unspectacular. There have been few mistakes, and neither broadcaster has missed a goal, an improvement on the 1990 World Cup when US viewers were unable to enjoy Italy's lone strike against Ireland because of a commercial break. (Having learned an important lesson, ABC and ESPN are showing the games without commercials).

The quality of the commentaries has been patchy, although that is understandable given the inexperience of the mostly American commentators, whose unfamiliarity with soccer has been occasionally exposed, most notably in their inability to anticipate developments in the flow of play, a key element in live sports commentary.

Jack Edwards, presenter of ESPN's daytime World Cup coverage and a knowledgeable soccer enthusiast, says the biggest weakness so far has been "the announcers' failure to understand what's about to happen before it happens. Most announcers were weaned on mainstream sports in America where things happen in a grid with very defined segments of action."

But there are other flaws in the World Cup coverage that cannot be blamed on ESPN and ABC, which have been receiving the main television feed for the World Cup from the European Broadcast Union (EBU), an alliance of European broadcasters. Although ESPN and ABC supplement that feed with their own cameras and replays, the bulk of what viewers see comes direct from the EBU.

The EBU feed has come in for plenty of criticism, mostly for its poorly-timed use of replays and its uninspiring selection of crowd shots. Mike Hill, the British-born soccer expert on ESPN's *World Cup Today* show, says of EBU: "They've missed some good action. It's been disappointing, and not up to the standard we saw in Italy."

Richard Sandomir, the TV sports critic for the New York Times, has also been critical. "The on-screen choices need better judgment on the time of replays and close-ups. At least three scoring chances by my count were nearly missed because of a replay."

Andreas Cantor, the commentator for Univision, the Miami-based Spanish-language network which is also broadcasting the World Cup in the US, has described the EBU feed as "horrendous", saying: "I knew they'd try an American-style broadcast, with a lot of close-ups, head shots and going to the crowd every three minutes."

Jose Ramon Diez, vice-president of production for the EBU, denies that they are trying to appeal to American viewers. "We try to satisfy not only the European audience but also the full international audience. So we are working with a very tough compromise, between the European style and the South American style."

Ultimately, the success of the World Cup coverage depends greatly on the quality of the soccer itself, and – at least in terms of maintaining high ratings – on the performance of the home team. The American team's passage into the second round was a bonus for the broadcasters, but they know that it may not be long-lived. Yesterday, the US were playing tournament favourites Brazil in San Francisco, and were expected to lose.

The impact of the home team's departure from the tournament, however, need not be disastrous for television, says ESPN's Jack Edwards. "I think we'll lose about a quarter of our audience [if the US are put out of the World Cup]. But there could be a silver lining. If the Brazilians play beautiful soccer, and beat us with beautiful goals, they will have done us all – and the game – a service."

# Rising imports bring Japan's surplus down

By William Dawkins in Tokyo

Japan's politically contentious current account surplus shrank by an annual 6.7 per cent in May, proof it is on a downward trend, according to the Finance Ministry.

Yesterday's figure will be seized on by the new three-party coalition as a sign that efforts to make the Japanese market more open to imports are starting to bearing fruit, when it meets an anxious US at the Group of Seven summit in Naples at the end of this week.

Tokyo will have little other evidence to offer the summit that it is stimulating its domestic economy. It plans to present an already-published deregulation package and commit itself to cutting income tax, without giving a figure, senior officials said yesterday.

The surplus, a measure of trade in goods and services, reached $8.72bn last month, after having grown by an annual 22 per cent to $13.98bn in April. A revival in previously weak Japanese demand for imports, up 14.7 per cent in May, was one factor, though a seasonal rise in exports inflated the surplus in the previous month.

A 279-point package of deregulation measures is due to be adopted by the cabinet today, said Mr Kozo Igarashi, the socialist chief cabinet secretary. This deregulation plan was proposed by the previous government last week, but delayed by another round in Japan's recent series of power struggles, in which the Liberal Democratic party and Social Democratic party joined forces to seize power.

Hashimoto: Kantor meeting

The package aims to increase competition and reduce business costs in housing, telecommunications, imports and distribution. While more concrete than the two previous deregulation packages of the past year, it has been criticised for excluding measures - such as easier entry to the telecommunications service market - which foreign business lobbies had been seeking.

Japan's new minister of international trade and industry, Mr Ryutaro Hashimoto of the LDP, aims to meet Mr Mickey Kantor, US trade representative, at the G7 summit to discuss the US-Japan trade dispute, said a government official.

# Settlers plan to disrupt Arafat return to Jericho

By Julian Ozanne in Jericho

Mr Yassir Arafat, the veteran Palestinian leader who made a triumphant homecoming last week, was expected today to fly from Gaza into Jericho, the West Bank town which is the capital of Palestinian self-rule and a vital foothold for Mr Arafat in the West Bank.

Jewish settlers, who fought police throughout the weekend in protest at his arrival, were last night making plans to disrupt the visit.

Mr Arafat is expected to be brought by helicopter into Jericho. He will swear in the Palestinian National Authority, the cabinet which will run the self-rule areas, and inaugurate a Palestinian broadcasting station.

PLO officials said Mr Arafat would return to live in the Gaza Strip from Saturday after attending a farewell ceremony in Tunis which will mark the end of the organisation's 30-year exile from the land it calls Palestine.

In between Mr Arafat will meet Mr Yitzhak Rabin, Israeli prime minister, in Paris tomorrow where he will press for the release of Palestinian prisoners held by Israel and the speedy implementation of the next phase of the peace process: the extension of Palestinian self-rule from Gaza-Jericho across the rest of the West Bank.

Frantic preparations were under way in Jericho last night to receive Mr Arafat - or "The Traveller," as he is known locally.

A street-party atmosphere overtook the central square last night where Mr Arafat will address Palestinians from the West Bank. Palestinian workers were putting the finishing touches to a stage and boys were busy erecting flags, bunting and posters of Mr Arafat emerging phoenix-like from an air crash in the Libyan desert in 1992. Two bullet-proof black Mercedes limousines, which Mr Arafat used to cross from Egypt to Gaza, stood out in the quiet oasis town.

Security preparations were also being tightened following threats by Israeli settlers to disrupt the visit.

One report said demonstrators planned to seize Orient House, the PLO headquarters in Arab East Jerusalem.

Mr Aharon Domb, a settler spokesman, refused to confirm the report but said: "There will be a range of new protests, all kinds."

Aides said the 65-year-old Mr Arafat, who recovered his voice yesterday after a series of engagements left him speechless, was fit and elated by the welcome Palestinians have given him.

# Fragile Mideast peace awaits next step

## Much depends on whether momentum can be sustained, writes Julian Ozanne

It could just work.

This was the assessment of the Israeli-Palestinian peace process among Israeli government ministers and officials as the triumphant homecoming of Mr Yassir Arafat, the veteran Palestinian leader, went into a fourth peaceful day.

Much depends on whether the momentum can be sustained and the next phase of the process - the extension of Palestinian self-rule from Gaza-Jericho across the rest of the West Bank - can be swiftly concluded.

Will Israel confront the 120,000 Jewish settlers living in the West Bank and give Mr Arafat enough room to consolidate the fragile Palestinian support base for the agreement? The summit between Mr Arafat and Mr Yitzhak Rabin, Israeli prime minister, in Paris tomorrow will provide much of the answer.

For Mr Arafat, keeping the peace process moving is vital. The PLO leader needs to show opponents and sceptics that Gaza-Jericho is merely the first step on the road towards an independent Palestinian state in all of the Palestinian lands seized by Israel in the 1967 Arab-Israeli war. A quick extension of Palestinian self-rule to the West Bank will vindicate Mr Arafat's negotiating gambit of incremental assumption of land and power and will confound critics who have warned the Gaza-Jericho deal was an Israeli ploy to leave Palestinians with a virtual apartheid-style "bantustan".

Without such an extension of self-rule the economic arrangements between Palestinians and Israelis will quickly flounder because the heart of the Palestinian economy - agriculture, commerce and tourism - is centred in the West Bank towns of Ramallah, Nablus and Bethlehem and among the 1.1m West Bank Palestinian population. Furthermore, Mr Arafat will not be able to hold national elections and so prove his determination to meet Palestinian demands for democracy without extending his rule over the West Bank.

Under the peace accord Israel is committed to redeploying its military forces out of Palestinian population centres in the West Bank three months after the assumption of self-rule in Gaza-Jericho and no later than the eve of elections, due on October 15. Israel is also pledged to transfer responsibility in five areas to Palestinian authority: education and culture, health, social welfare, direct taxation, and tourism - and any other additional powers and responsibilities agreed between the two sides.

The Palestinians have said, however, that the Israeli withdrawal should be completed at least six weeks before the elections to allow Palestinians to organise a free and disciplined ballot.

Mr Riyad al-Zanoun, Palestinian health minister, said Mr Arafat would ask Israel at the Paris summit "to implement the redeployment of the Israeli army in the West Bank, to evacuate the populated cities in accordance with the agreement and to hurry up the transfer of authority ... by August".

Israel is much more likely to be willing to listen now. Mr Arafat's conciliatory speeches about honouring and defending "the peace of the brave" against extremists and opponents and the firm security grip the Palestinian police force have established on Gaza-Jericho, have bolstered Israeli confidence.

"All the doomsday prophesies about Arafat's return and Gaza erupting into violent civil war have not come true," Mr Uri Dromi, Israeli government spokesman, said yesterday. "We feel Arafat has shown political restraint and wisdom. He ... is keeping his word. His visit has been a triumph of common sense and pragmatism and taking the success of the first phase we will be armed with more confidence about the potential of the next phase to succeed."

However, Israel has said no dates are sacred and has stressed the technical difficulties of the next phase of negotiations. There are 150 Israeli settlements in the West Bank housing 120,000 Jewish settlers. The painstaking negotiations about security for 4,500 Jewish settlers living in 16 Gaza settlements delayed implementation of the first phase for four months and will have to be repeated for the West Bank.

More important, the West Bank is a much more sensitive domestic political issue in Israel than Gaza, which many Israelis were glad to give up. The prospect of Palestinian police spreading out across the West Bank will be met by fierce domestic opposition from the settlers and the Israeli right wing.

Although Mr Rabin on Sunday bitterly attacked the "radical right", vowed to strengthen peace with Palestinians and acknowledged the need to shore up Mr Arafat's political base, he is unlikely to move as quickly as Mr Arafat wants or needs despite the fact that a narrow majority of Israelis continue to support the peace process and direct negotiations with Mr Arafat.

Another sensitive issue due to be discussed in Paris tomorrow is Israel's failure to honour its commitment to release 5,000 Palestinian prisoners, another emotional issue which gives fuel to Mr Arafat's critics.

Mr Arafat can argue he has kept his side of the agreement. Attacks on Israelis are down by half since the implementation of Gaza-Jericho; the Palestinian police force is functioning well; the national authority is to be sworn in today; the Palestinians are getting down to tackling day-to-day problems; a plan for the October 15 elections is in place.

Now it is Mr Rabin's turn to deliver.

# Kuwait plans spending cuts to curb deficit

By Mark Nicholson in Cairo

The Kuwaiti government and the parliament's finance committee have for the first time tabled specific plans for eroding the Gulf state's high benefits in an attempt to curb the budget deficit, officials in Kuwait City say.

The two sides have agreed to plans for raising KD100m (£218m) from increased customs fees on 200 currently exempted imports, along with higher mail, telegram and telephone charges. They also propose a KD250m cut in the government's original spending plan for 1994-95, made by cancelling construction and transport projects, and slicing KD178m from "miscellaneous expenses".

Officials said the proposed cuts were modest, but it was the start of an "educating" process for Kuwaitis, accustomed to cheap government-run services and, for more than 90 per cent of Kuwait nationals, high-paid government jobs. "This is the first acknowledgment that we have to be not quite so generous," one official said.

The budget proposal now goes to the National Assembly for debate and final approval this month, even though formally Kuwait's fiscal year began on July 1.

The proposed cuts follow pressure from the parliament finance committee to cut the original projected deficit of KD1.8bn for 1994-95 by 20 per cent, amid growing concern in Kuwait over fiscal deficits after the Gulf war. They show increased resolve within the government to attack what are seen as unsustainable state spending.

The formula would leave Kuwait with a budgetary gap of KD1.5bn for 1994-95, based on targeted spending of KD4.14bn and revenues of KD2.63bn. The revenue figure is understood to assume Kuwaiti crude oil prices will average about $12 a barrel for the fiscal year. Kuwait's fiscal deficit for 1993-94 was budgeted at KD1.2bn and is expected to turn out at about that figure, with revenues buoyed during the last quarter by the upturn in crude prices.

For the first time, the 1994-95 budget includes an item for defence expenditure, an inclusion which largely results from National Assembly pressure, and which renders difficult direct comparisons between this budget and those of previous years.

The proposed budget savings, if approved by parliament, will relieve rather than remove pressure on the government's coffers. In July next year, Kuwait will have to begin repayments on the $5.5bn foreign loan to pay for Gulf war costs. The first $2.5bn principal repayment falls in the next fiscal year, with a $3bn payment in the one thereafter.

Mr Nasser al-Rodhan, finance minister, has said he does not rule out an attempt to reschedule repayments of this debt. He and other officials are understood to believe that Kuwaitis, in any case, eventually face far deeper cuts into their welfare state than at present proposed.

President François Mitterrand of France and President Nelson Mandela of South Africa inspect a guard of honour at Cape Town's D.F Malan airport yesterday *Picture: AP*

# MITTERRAND PROMISES FRENCH ASSISTANCE TO SOUTH AFRICA

By Mark Suzman in Johannesburg

French president François Mitterrand yesterday told South Africa's parliament that the country's transition to democracy was an example for Africa to emulate and promised French assistance as its new government sought to translate ideals into reality.

Speaking on the first day of a two-day visit to South Africa, Mr Mitterrand paid tribute to South Africans for their successful democratic elections and said he hoped the occasion would mark the building of closer ties between the two countries. He is the first foreign head of state to address parliament since the then Mr Harold Macmillan, British prime minister of the time, delivered his famous "winds of change" speech in 1961.

Although some critics have suggested that Mr Mitterrand's visit is merely an attempt to boost his international image, the speech is seen as an attempt by France, which has long maintained involvement in its former colonies in West and central Africa, to stake out its position as the pre-eminent western power in Africa. It hopes to secure South Africa's support for its involvement in Rwanda and on economic development policies in Africa.

On South Africa's side the visit represents an opportunity to build up support from an important member of the European Union, particularly in light of current trade talks between the EU and South Africa. In addition, both countries will be seeking to expand bilateral trade and investment links.

Mr Mitterrand called on French industrialists, several of whom are accompanying him on his visit, to "do the right thing" and invest, but announced no specific aid or investment package. However, he said that he expected conventions to be signed during his visit in the electrification, water and rural development sectors.

In addition, several French companies are expected to announce partnership deals with local black businesses over the next few days, and an agreement on some aid from the French Development Bank is also expected to be concluded before Mr Mitterrand leaves tomorrow night.

Introducing him to parliament, South Africa's President Nelson Mandela paid tribute to his French counterpart for his anti-apartheid support and cited the French revolution as inspiration for the South African struggle. In a ceremony earlier, Mr Mandela awarded Mr Mitterrand its highest award for non-South African citizens for his services to South Africa.

# Rebels pour into Kigali

By Our Foreign Staff and Reuter

Jubilant Rwandan rebels secured key government positions in the capital Kigali yesterday as French troops, in a shift of Paris policy, were ordered to halt any further advance.

The rebel Rwanda Patriotic Front also took Butare, the last main government-held town in the south. France, determined to set up a humanitarian enclave in western Rwanda, said it was ready to fight the RPF if the rebels continued their westward march across the country.

Previously the French troops, who arrived last month, had been under orders to avoid any clash. On Sunday the two forces exchanged fire for the first time. France has been seeking a United Nations mandate to establish the protected zone, but RPF officials said Paris had no mandate yet for such a move.

The safe area would stretch from Cyangugu in the south-west, where the French are protecting a refugee camp, northwards almost to Kibuye and eastwards to the district of Gikongoro, 15 miles from Butare. French Colonel Didier Thibaut, based in Gikongoro, said he had orders to stop the rebels from capturing the town or going beyond it: "No one will go any further. We will not allow anyone to bother the population - whether they are militias, the Rwandan army, or the RPF."

Witnesses in Kigali said RPF forces pushed into the centre of the capital following two days of artillery bombardment. If they establish a hold on the city, the French fear further massacres and a renewed westward flight of refugees.

Hundreds of dispirited government soldiers, fleeing the rebel advance, headed south through the one exit not yet sealed by RPF fighters.

# Taiwan tries to buy time for its push to rejoin UN

## Taipei is expected to advocate a slow development of its cross-strait ties with Beijing, reports Laura Tyson

Fearful of becoming irretrievably ensnared in China's web, Taiwan is attempting to slow development of cross-strait ties to win time to build support for its attempts to rejoin the international community.

In its first white paper on China policy, to be released today, the government is expected to advocate a go-slow approach to the rapprochement launched with historic talks between the two sides in Singapore in April 1993. After seven years' détente, the paper comes amid a sharp escalation in cross-strait tensions since the March 31 deaths of 24 Taiwanese tourists in China's Zhejiang Province.

While Taiwan business backs closer ties with China, most Taiwanese remain profoundly distrustful of Beijing's leaders. The tourist killings played into the hands of President Lee Teng-hui, who is using the incident to further his agenda of getting the world to recognise Taiwan as an independent sovereign state, observers say.

It is rumoured among Taipei politicians that shortly after Mr Lee became president following the death of Mr Chiang Ching-kuo in 1988, opposition leaders asked him to seek formal Taiwanese independence from China. Mr Lee is said to have replied: "Just give me time". The story may be apocryphal, but Mr Lee's record speaks for itself.

The Taiwan-born agricultural economist built up a power base from virtually nil, presided over a transition to democracy and in early 1993 shoved off the political stage the military-backed mainlanders who ran the country for over 40 years.

Weeks later, he launched a campaign to rejoin the UN, which Taiwan left in 1972, after that body switched recognition to Beijing.

In the past year, he and his ministers have globe-trotted constantly, trying to drum up international support for entry into the UN and other multilateral bodies from which Taiwan has long been excluded because of China's objections.

Taipei maintains full diplomatic relations with 29 countries. Beijing threatens to break off ties with any country which formally recognises Taipei. As a permanent member of the UN security council, it can veto Taiwan's entry. But Mr Lee's tactics are causing consternation, not only in Beijing, which views the island as a renegade province, but also in Washington, Taiwan's closest ally and benefactor.

"Taiwan has turned into a kind of Frankenstein's monster," observes Mr Parris Chang, a lawmaker from the pro-independence opposition Democratic Progressive party (DPP). "The US fostered Taiwan's democratic development and some might say the policy worked too well. Now the US has to live with the consequences."

The US strategy seems to be simply to wait. The Clinton administration recently completed a comprehensive review of US policy toward Taiwan, the first in 15 years. Minor though symbolically important changes in the US stance are expected to be announced shortly. But there will be no change in the US's "one-China" policy dating from the late 1970s acknowledging Beijing's claim over Taiwan.

Taiwan now experiences a cacophony of views on the island's identity and future. The debate is further shrouded by a haze of rhetoric emanating from the government. Because China threatens to use force should Taiwan declare independence, the ruling Nationalist party, or Kuomintang, persists in larding its assertions that "the Republic of China on Taiwan is a sovereign state" with dubious claims that its "transitional two-China policy" is a interim measure whose ultimate goal is reunification.

"The Republic of China on Taiwan is already an independent nation by whatever definition," says Mr Hanson Chien, the KMT spokesman. "There's no need to antagonise the PRC and invite a war."

Public opinion is divided. A government-commissioned survey in late June found 12 per cent of Taiwanese support independence, 21 per cent support reunification, and 56 per cent prefer to maintain the status quo. A Gallup poll conducted shortly after the tourist killings showed support for independence at an all-time high of 27 per cent.

"China should realise the only reason more people don't openly support Taiwan's independence is because they are afraid China will attack, not because they want reunification," says Ms Maysing Yang, head of the DPP's foreign affairs department.

About the only matter on which there is a national consensus is that Taiwan should rejoin the UN, and is it on this aim that President Lee appears to have staked his hopes.

Ultimately the US will play a decisive role in Taiwan's future, says Mr Wang Chien-shien of the KMT-breakaway Chinese New party. "It is in the US's long-term interest to have an independent Taiwan. Some day, when it suits their purposes, the US will play the Taiwan card against China. Now the time is not mature."

By March 1996 at the latest, Taiwan will hold direct presidential elections for the first time. Mr Lee's popularity makes him likely to win should he run. It is easy to dismiss a country whose leader was installed by a waning military dictatorship, but harder to exclude one whose leader is democratically elected.

# Nigerian oil workers strike

Nigeria's main oil workers' union yesterday began a political strike in protest against the government's annulment of last year's presidential election, won by Mr Moshood Abiola, and against Mr Abiola's recent detention over his renewed claims to the presidency, Paul Adams writes from Lagos.

Production of crude oil, which accounts for more than 90 per cent of Nigeria's exports, was at normal levels on the first day, but the first effect of the strike is likely to be on the supply of refined petroleum products.

According to the multinational oil companies which produce Nigeria's 2m barrels a day, output of crude was not immediately affected.

# Foreigners back China's car policy

## Manufacturers hope the industry will not fragment, writes Tony Walker

China's long-awaited automotive industry policy, unveiled yesterday, has drawn generally favourable reviews from foreign automotive representatives, but they also warn that the policy could unravel under political pressure.

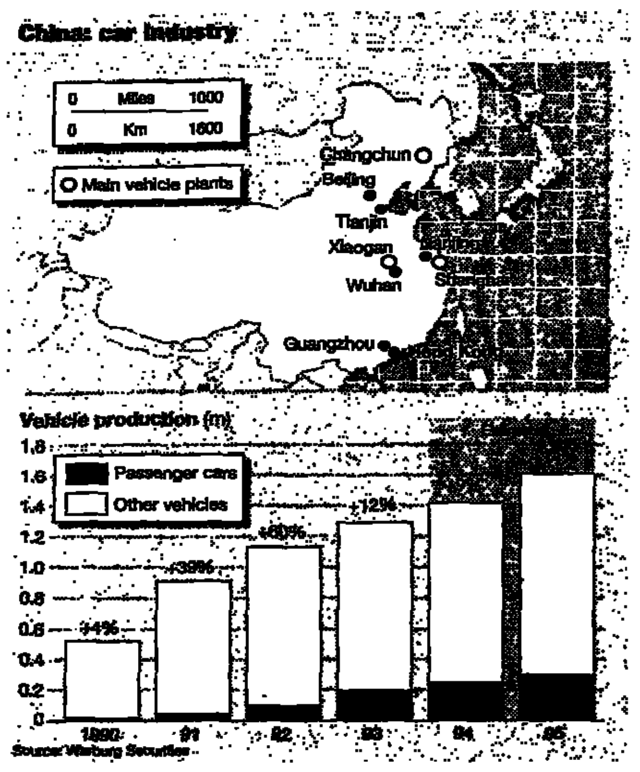
Mr Donald St Pierre, president of the newly-established China Automotive Components Corporation, said the key to the policy's success would be the ability of the authorities to consolidate the sector into three or four conglomerates.

Mr St Pierre noted signs of smaller Chinese producers among China's 120 vehicle manufacturers seeking co-production ventures with foreign carmakers outside the scope of the new policy.

"I hope they can make the new policy stick and ensure that the industry doesn't fragment," he said. "It's important they are really able to develop economies of scale and not allow local manufacturers to find a way around that."

Japanese motor industry representatives also reacted positively to the new policy which clearly leaves the door open to the entry of up to four carmakers, including two from Japan, after 1996.

Last month China told international vehicle makers that before they become involved in vehicle assembly in China they must show their commitment by investing in the components sector. Beijing has placed a freeze on new entrants to vehicle manufacture and assembly until 1996.



Source: Warburg Securities

The Japanese, who were left out in cold in the first round when the Germans the French were becoming established in China, now see opportunities in the second round. Toyota is regarded as the frontrunner among the Japanese with possibly Honda and Nissan fighting for the remaining slot.

American manufacturers also believe the door has been left ajar to their entry after 1996. Ford and General Motors are positioning themselves for a more determined push in the next year or so. As a preliminary step both are becoming involved in components manufacturing with Ford announcing two ventures last month.

China's announcement that six or seven carmakers would become the "backbone" of the industry clearly leaves scope for new entrants.

Existing producers are led by Volkswagen, which built some 130,000 passenger cars in China last year, including Santanas, Audis and Jettas.

Other foreign manufacturers include Citroen, which produced 13,000 of its ZX small cars at a plant near Wuhan in central China, and Peugeot, which is involved in the assembly of its 504 at a factory near Guangzhou in southern China.

China's automotive manufacturing strongholds are located in Changchun in the north-east, Shanghai in the Yangtze Delta and in Hubei province in central China. However, Beijing and Tianjin in the north, Guangzhou and Nanjing, west of Shanghai, are all bidding to be included in the plans for a restructured industry.

Mr St. Pierre said China's aim was "fairly realistic" of satisfying 90 per cent of its passenger car demand of some 1.5m vehicles from local production by 2000. "They really are aiming to develop their own automotive industry," he said in reference to the tax incentives for both economies of scale and research and development.

Mr St. Pierre, who helped launch American Motor's Jeep manufacturing venture in China in the mid-1980's, likened the involvement of foreign manufacturers in China to General Motors' experience in Europe. "GM Europe became a European company. If a foreign manufacturer wants to operate in China they are going to have to become a Chinese company."

While the new automotive policy referred to the need for Chinese carmakers to compete internationally, much less emphasis was given to this than in previous policy documents.

Now that living standards have risen sharply and car ownership is a reality for increasing numbers of Chinese, policymakers recognise that the industry will be hard-pressed to meet domestic demand.

# Open services, developing countries told

By Ken Warn in Washington

Developing countries should not be afraid of liberalising their service sectors, according to a report published today by the United Nations Conference on Trade and Development in conjunction with the World Bank. However, countries need to pay close attention to the manner and timing of reform, and to their regulatory frameworks, before embarking on liberalisation, it says.

The report is intended as a practical guide to developing countries in creating policies to improve the efficiency of their service industries through the easing of curbs on international transactions.

Service industries are making a growing contribution to employment and output generation in both developed and undeveloped countries, the report notes, and many of the latter have become keenly aware of the role of services in the development process.

Indeed, the report says, there is growing evidence suggesting that the development of some service sector activities may not be the result of growth elsewhere in an economy, but one of its preconditions.

Opening of domestic markets to foreign service providers is a major way to ensure increased efficiency in the provision of services and, by fostering competition, tends to enhance the efficiency of domestic producers, the report says.

Liberalisation is often attacked as opening the door to foreign domination and putting local jobs at risk.

The report cites beneficial results from opening up the financial sector in both developed and undeveloped countries. "Concerns that foreign banks might dominate the domestic market typically have proved unwarranted. Instead a complementary role has developed between foreign and domestic banks..." the authors say.

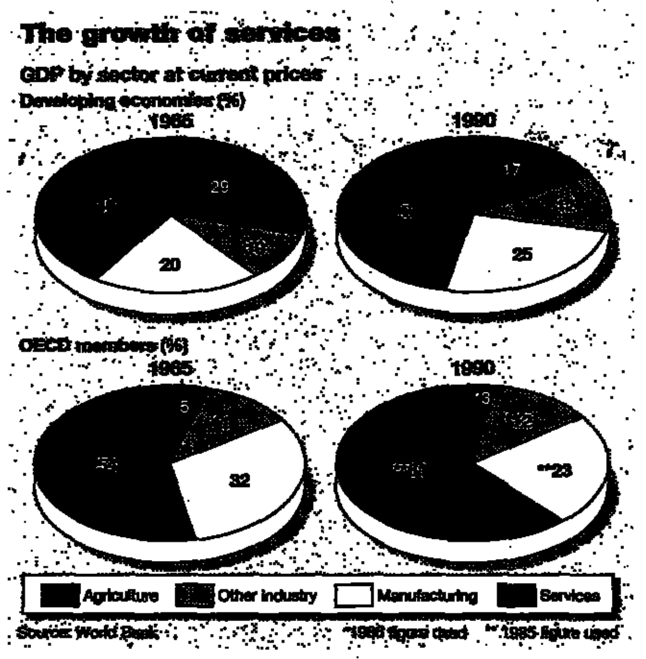
Developing countries should also look at the arguments for and against liberalisation in an economy-wide perspective, rather than a single-industry approach. For example, excluding foreign insurance companies may protect domestic insurers, but could lead to increased dependence on foreign re-insurers, higher costs for industry and an outflow of re-insurance premiums.

The report urges developing countries to be sceptical of arguments in favour of increased barriers to trade, such as the need to protect an infant industry. However, where a sector is thought too economically or politically sensitive to allow foreign majority ownership, it recommends allowing joint ventures in preference to outright prohibition of market access.

The timing of reform is important too, the handbook says. Stabilisation efforts, particularly mechanisms to avoid the overvaluation of the domestic currency, should precede liberalisation.

The handbook was prepared by staff of the Unctad programme on transnational corporations and the international trade division of the World Bank international economics department.

*Liberalising International Transactions in Services: a Handbook. United Nations Publications, Palais des Nations, CH-1211 Geneva 10, Switzerland; or Office of the Publisher, The World Bank, 1818 H St, NW, Washington, DC 20433, USA*



Source: World Bank

# Taiwan searching for fresh ventures

Taiwan, which has seen the collapse of planned aerospace ventures with McDonnell-Douglas and British Aerospace, is exploring further possible ventures, writes Laura Tyson in Taipei.

Taiwan's military-run Aero Development Centre and GE Aircraft Engines of the US are discussing the possibility of joining forces to produce CF 34 aircraft engines, to be used in Canadian-made regional jets, said Mr Jack Tang, deputy director of the cabinet's Committee for Aviation and Space Industry Development.

The centre said any co-operative venture would include technology transfer, a main sticking point in previous failed deals.

The centre, which makes Taiwan's Indigenous Defence Fighter, is to be converted into a state company making civilian aircraft, subject to parliamentary approval.

## Rolls-Royce plant order

Rolls-Royce, the UK aero-engine and power equipment group, has won its first full turnkey power station order in Indonesia through a £60m contract from PLN, the national electricity utility, writes Andrew Baxter.

The UK company will supply all the electromechanical equipment and handle civil works for a 60MW combined cycle power station at Samarinda in East Kalimantan.

## Reciprocal deal for Nissan

Nissan will export cars made in Mexico to the US next year, while shipping models made in the US to Mexico, agencies report from Tokyo.

The US model to be shipped to Mexico will be the Altima sedan, one of two models built at Nissan's factory in Smyrna, Tennessee, while the Mexican model will be the Sentra sedan, which is built at a plant in Mexico City.

## Court victory for P&O

A consortium led by P&O of the UK has won the first round in a court battle to win control of two terminals in the port of Buenos Aires, writes John Barham in Buenos Aires.

In June the government cancelled P&O's offer to manage the two terminals as a 25 year concession despite having made the highest bid. However, a Buenos Aires federal judge ruled that P&O's local ally Port Investments did meet bidding terms.

# Caribbean states take step nearer new trade bloc

By Canute James in Bridgetown

Leaders of the Caribbean Community (Caricom) meeting in Barbados are set to approve the establishment of a new regional group, to be the forerunner of a trade bloc of about 40 nations in the Caribbean basin.

Prospective members of the proposed Association of Caribbean States include the Group of Three (Colombia, Mexico and Venezuela), Cuba, Haiti, the Dominican Republic, the Central American states, Suriname and members of the Caribbean Community. About 15 dependent territories will be offered associate membership.

The likely membership of the ACS has a combined population of 200m people, an estimated gross national product of $500bn, estimated annual merchandise exports of $80bn and annual merchandise imports of $100bn, Caricom said.

The leaders of Caricom, which has a combined market of 5.5m people in 13 English-speaking countries, including Belize in Central America and Guyana in South America, are reviewing prospects for the 20 year-old community following the North American Free Trade Agreement (Nafta).

Several Caricom members – Guyana, Jamaica and Trinidad and Tobago – have requested the US to list them as potential Nafta members.

There is concern, however, that Caricom could be split if some members became Nafta signatories or established formal links with the trade group.

The annual Caricom summit will also review the region's banana market in the European Union amid continuing concern about competition from Latin American fruit.

The leaders will also consider whether to admit the first member from outside the English-speaking group. Suriname, a former Dutch colony in north-eastern South America, has applied for Caricom membership.

Government officials in Paramaribo, the capital, said this week the application would be "favourably" considered by the summit.

# Canada seeks to widen business ties with Cuba

By Bernard Simon in Toronto

Canada's business presence in Cuba has been given a boost by a flurry of commercial and political initiatives in recent weeks.

The announcement late last month that Canada was easing a 16-year aid embargo imposed in protest against Cuba's involvement in the Angolan civil war is expected to speed the growing involvement of Canadian non-governmental organisations and universities in Cuba. Two Canadian universities for instance, have set up English language training courses for Cubans.

Ottawa has never joined Washington in imposing trade sanctions against Cuba. Air Canada, for example, has maintained a regular service to Havana, and Canadians have been among the largest groups of foreign tourists visiting Cuba. Two-way trade totalled C$311m ($224m) last year.

The Canadian business presence in Cuba is centred on mining, oil and gas exploration and tourism. Joutel Resources of Toronto last year became the first western mining company to sign an exploration agreement with Geominera, the Cuban mining agency.

Last month, Sherritt, a Canadian nickel and cobalt producer, unveiled plans for a joint venture with Compania General de Niquel which will include mining and ore processing facilities in Cuba, and a refinery in Alberta.

In addition, Canadian hotel operators have signed management contracts with more than half a dozen Cuban hotels.

Companies will also benefit by being able to draw on funds from the Canadian International Development Agency (Cida) for feasibility studies. Canadian investors and joint-venture partners have generally found a warm welcome in Cuba.

Dr Jim Henderson, a member of the Ontario provincial legislature who has taken a close interest in Cuba, says that "the wheels can turn very quickly, provided it's a kind of business that Cuba has decided it wants."

The recent shift in Ottawa's policy towards Cuba are unlikely to have a profound impact either on Cuba's tottering economy or its relations with the outside world.

However, they highlight a clear division between the US and some of its allies on the best way of halting the deterioration in social and economic conditions in the country.

The Clinton administration has continued to apply, though without great enthusiasm, the comprehensive embargo imposed 30 years ago.

Calls from the US business community, especially hotel operators, to ease the curbs have been offset by pressure from the large Cuban community in the US to maintain them.

Ottawa however, has come to the conclusion that continued isolation carries risks of its own.

Its new policy is based on a view that industrial countries need to become more involved to alleviate the island's economic and social problems before they lead to an explosion.

Ms Christine Stewart, a junior foreign affairs minister, told an Organisation of American States meeting in Brazil earlier this month that "the isolation of Cuba is unhealthy, and it's within all of our interests to support change in Cuba that is positive and healthy."

The Clinton administration has taken an interest in the recent initiatives by Ottawa, but is said to have neither encouraged nor discouraged them.

## INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

**UNITED STATES**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 7.1 | 100.0 | 102.4 |
| 1986 | 105.5 | 100.9 | 6.9 | 98.0 | 107.1 |
| 1987 | 108.4 | 106.0 | 6.1 | 105.5 | 108.2 |
| 1988 | 112.6 | 110.7 | 5.4 | 106.1 | 112.1 |
| 1989 | 115.6 | 112.4 | 5.2 | 99.3 | 110.6 |
| 1990 | 116.4 | 112.4 | 5.4 | 84.6 | 106.4 |
| 1991 | 114.0 | 110.3 | 6.6 | 62.2 | 111.7 |
| 1992 | 117.6 | 112.9 | 7.3 | 60.3 | 116.8 |
| 1993 | 123.6 | 117.6 | 6.7 | 65.3 | 122.6 |
| 2nd qtr.1993 | 5.5 | 3.6 | 6.9 | 63.4 | 117.1 |
| 3rd qtr.1993 | 5.9 | 4.2 | 6.7 | 66.0 | 119.2 |
| 4th qtr.1993 | 5.8 | 4.3 | 6.4 | 69.4 | 122.6 |
| 1st qtr.1994 | 7.2 | 4.9 | 6.5 | 71.3 | 124.3 |
| June 1993 | 5.9 | 4.0 | 6.8 | 63.1 | 117.1 |
| July | 6.3 | 3.8 | 6.7 | 65.6 | 117.9 |
| August | 6.0 | 4.3 | 6.7 | 66.7 | 118.2 |
| September | 5.5 | 4.4 | 6.6 | 65.5 | 119.2 |
| October | 5.5 | 4.1 | 6.8 | 68.5 | 120.3 |
| November | 5.9 | 4.2 | 6.4 | 68.9 | 121.7 |
| December | 8.0 | 4.6 | 6.3 | 70.7 | 122.6 |
| January 1994 | 4.6 | 4.9 | 6.6 | 66.7 | 123.5 |
| February | 7.2 | 4.6 | 6.4 | 72.9 | 124.1 |
| March | 10.0 | 5.2 | 6.5 | 74.3 | 124.3 |
| April | 7.0 | 4.9 | 6.4 | 74.2 | 124.2 |
| May | | 5.5 | 6.0 | 77.6 | |

**JAPAN**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 2.6 | 100.0 | 97.1 |
| 1986 | 106.5 | 99.7 | 2.8 | 94.3 | 106.0 |
| 1987 | 113.8 | 103.1 | 2.8 | 108.3 | 115.2 |
| 1988 | 122.6 | 113.1 | 2.5 | 135.9 | 122.2 |
| 1989 | 132.5 | 119.7 | 2.2 | 147.0 | 125.0 |
| 1990 | 141.6 | 124.5 | 2.1 | 149.8 | 122.3 |
| 1991 | 144.6 | 126.8 | 2.1 | 144.2 | 119.9 |
| 1992 | 139.9 | 119.0 | 2.1 | 124.2 | 119.3 |
| 1993 | 132.0 | 113.6 | 2.5 | 106.6 | 128.1 |
| 2nd qtr.1993 | –6.0 | –4.0 | 2.4 | 106.6 | 124.1 |
| 3rd qtr.1993 | –5.1 | –4.6 | 2.5 | 101.7 | 125.4 |
| 4th qtr.1993 | –5.7 | –4.2 | 2.7 | 103.3 | 128.1 |
| 1st qtr.1994 | | –3.1 | 2.8 | 101.7 | 131.0 |
| June 1993 | –8.0 | –5.0 | 2.5 | 105.2 | 124.1 |
| July | –5.8 | –5.2 | 2.5 | 102.6 | 124.4 |
| August | –4.1 | –2.5 | 2.5 | 102.3 | 124.7 |
| September | –5.5 | –6.1 | 2.6 | 100.3 | 125.4 |
| October | –5.2 | –6.0 | 2.7 | 98.6 | 125.7 |
| November | –7.8 | –3.2 | 2.7 | 111.8 | 125.3 |
| December | –4.6 | –3.5 | 2.8 | 99.5 | 128.1 |
| January 1994 | –1.9 | –2.7 | 2.7 | 97.0 | 127.2 |
| February | –3.7 | –4.4 | 2.9 | 97.7 | 128.7 |
| March | | –2.2 | 2.8 | 110.7 | 131.0 |
| April | | –2.0 | 2.8 | | 130.7 |
| May | | –1.3 | | | |

**GERMANY**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 7.1 | 100.0 | 105.2 |
| 1986 | 103.4 | 102.2 | 6.4 | 136.4 | 105.0 |
| 1987 | 107.4 | 102.6 | 6.2 | 149.4 | 108.1 |
| 1988 | 110.5 | 106.3 | 6.2 | 164.8 | 112.3 |
| 1989 | 114.1 | 111.4 | 5.6 | 218.7 | 115.1 |
| 1990 | 123.5 | 117.2 | 4.8 | 261.1 | 115.7 |
| 1991 | 130.5 | 120.8 | 4.2 | 270.7 | 112.8 |
| 1992 | 127.7 | 119.1 | 4.6 | 260.2 | 108.3 |
| 1993 | 122.8 | 110.8 | 5.8 | 198.5 | 113.2 |
| 2nd qtr.1993 | –3.6 | –8.3 | 5.6 | 207.1 | 108.5 |
| 3rd qtr.1993 | –1.7 | –6.4 | 5.9 | 194.9 | 111.5 |
| 4th qtr.1993 | –5.4 | –3.1 | 6.3 | 178.4 | 113.2 |
| 1st qtr.1994 | 0.3 | 0.0 | 6.5 | 193.3 | 116.4 |
| June 1993 | –3.2 | –7.5 | 5.7 | 203.9 | 108.5 |
| July | –3.3 | –8.0 | 5.8 | 201.5 | 109.5 |
| August | –0.4 | –5.8 | 5.9 | 195.7 | 110.9 |
| September | –1.5 | –5.7 | 6.1 | 186.6 | 111.5 |
| October | –3.4 | –4.3 | 6.2 | 175.1 | 112.2 |
| November | –4.7 | –4.0 | 6.3 | 179.2 | 112.6 |
| December | –6.1 | –1.0 | 6.3 | 180.9 | 113.2 |
| January 1994 | 0.5 | –1.7 | 6.4 | 189.2 | 114.1 |
| February | 0.6 | 1.0 | 6.5 | 195.8 | 115.1 |
| March | –0.2 | 0.7 | 6.5 | 195.8 | 116.4 |
| April | –7.6 | 2.8 | 6.6 | 193.3 | 118.5 |
| May | | 1.6 | | 187.5 | |

**FRANCE**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 10.3 | 100.0 | 101.9 |
| 1986 | 102.4 | 101.1 | 10.4 | 107.2 | 109.1 |
| 1987 | 104.5 | 103.1 | 10.5 | 117.7 | 108.6 |
| 1988 | 107.9 | 107.3 | 10.0 | 134.9 | 113.7 |
| 1989 | 109.5 | 111.3 | 9.4 | 161.1 | 113.5 |
| 1990 | 110.3 | 112.9 | 8.9 | 163.0 | 108.2 |
| 1991 | 110.3 | 113.2 | 9.4 | 127.6 | 109.4 |
| 1992 | 110.5 | 113.2 | 10.4 | 111.8 | 107.8 |
| 1993 | 110.7 | 109.9 | 11.7 | 90.4 | 110.9 |
| 2nd qtr.1993 | 0.7 | –3.8 | 11.5 | 92.0 | 107.5 |
| 3rd qtr.1993 | 0.4 | –2.9 | 11.9 | 85.4 | 108.3 |
| 4th qtr.1993 | –0.5 | –1.6 | 12.2 | 86.5 | 110.9 |
| 1st qtr.1994 | 1.4 | 0.1 | 12.2 | | 113.6 |
| June 1993 | 5.0 | –3.4 | 11.6 | 91.3 | 107.5 |
| July | 1.2 | –2.6 | 11.7 | 94.4 | 107.1 |
| August | –1.2 | –3.0 | 11.9 | 80.8 | 107.5 |
| September | 1.2 | –3.1 | 12.0 | 81.2 | 108.3 |
| October | –2.7 | –4.4 | 12.1 | 84.8 | 109.1 |
| November | 2.0 | –0.1 | 12.2 | 86.3 | 110.2 |
| December | –0.8 | –0.1 | 12.2 | 88.4 | 110.9 |
| January 1994 | 0.7 | 1.3 | 12.2 | | 111.4 |
| February | 1.4 | –1.0 | 12.2 | | 112.1 |
| March | 2.0 | –0.1 | 12.2 | | 113.6 |
| April | –3.6 | | 12.3 | | 115.0 |
| May | | | | | 115.9 |

**ITALY**

| | Retail sales volume | Industrial production | Unemployment rate | Composite leading indicator |
|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 9.6 | 103.7 |
| 1986 | 108.8 | 104.1 | 10.4 | 110.8 |
| 1987 | 112.1 | 108.8 | 10.9 | 112.6 |
| 1988 | 107.9 | 114.2 | 10.9 | 117.5 |
| 1989 | 116.9 | 118.7 | 10.9 | 115.6 |
| 1990 | 114.4 | 118.0 | 10.3 | 111.6 |
| 1991 | 111.0 | 115.4 | 9.8 | 114.5 |
| 1992 | 116.9 | 115.4 | 9.8 | 111.1 |
| 1993 | 114.2 | 112.9 | 10.2 | 121.0 |
| 2nd qtr.1993 | –2.7 | –4.2 | 10.7 | 114.2 |
| 3rd qtr.1993 | –1.4 | –0.8 | 10.8 | 116.3 |
| 4th qtr.1993 | –6.9 | –0.5 | 10.7 | 121.0 |
| 1st qtr.1994 | | –1.0 | | 122.3 |
| June 1993 | –0.4 | –4.0 | n.a. | 114.2 |
| July | –6.4 | –3.3 | n.a. | 115.3 |
| August | 1.2 | 0.5 | n.a. | 116.8 |
| September | 1.1 | 0.4 | n.a. | 118.3 |
| October | –5.6 | –1.4 | n.a. | 119.3 |
| November | –5.4 | –1.6 | n.a. | 120.2 |
| December | –9.9 | 1.7 | n.a. | 121.0 |
| January 1994 | | –2.9 | n.a. | 121.6 |
| February | | –0.6 | n.a. | 122.2 |
| March | | 0.5 | n.a. | 122.3 |
| April | | 6.7 | n.a. | 122.7 |
| May | | | n.a. | |

**UNITED KINGDOM**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1985 | 100.0 | 100.0 | 11.2 | 100.0 | 102.3 |
| 1986 | 105.3 | 102.4 | 11.2 | 116.1 | 105.8 |
| 1987 | 110.7 | 106.5 | 10.3 | 141.2 | 110.3 |
| 1988 | 117.8 | 111.6 | 8.6 | 144.9 | 108.6 |
| 1989 | 120.1 | 114.0 | 7.2 | 124.7 | 106.2 |
| 1990 | 121.1 | 113.7 | 6.8 | 98.1 | 103.6 |
| 1991 | 119.6 | 109.2 | 8.8 | 68.9 | 107.9 |
| 1992 | 120.5 | 108.7 | 10.0 | 70.1 | 113.1 |
| 1993 | 124.6 | 111.3 | 10.3 | 77.2 | 120.3 |
| 2nd qtr.1993 | 3.0 | 2.4 | 10.3 | 74.8 | 118.5 |
| 3rd qtr.1993 | 3.8 | 2.5 | 10.4 | 77.4 | 119.3 |
| 4th qtr.1993 | 3.7 | 3.1 | 10.0 | 82.7 | 120.3 |
| 1st qtr.1994 | 3.4 | 3.9 | 9.8 | 84.1 | 120.6 |
| June 1993 | 3.9 | 2.4 | 10.3 | 74.3 | 118.5 |
| July | 4.4 | 3.3 | 10.4 | 77.1 | 117.4 |
| August | 3.6 | 2.4 | 10.4 | 77.8 | 118.7 |
| September | 3.4 | 1.8 | 10.3 | 77.5 | 119.3 |
| October | 3.2 | 1.9 | 10.2 | 80.7 | 119.6 |
| November | 3.8 | 3.6 | 10.0 | 83.6 | 119.7 |
| December | 4.2 | 3.7 | 9.9 | 83.8 | 120.3 |
| January 1994 | 3.9 | 4.3 | 9.9 | 83.9 | 120.9 |
| February | 2.8 | 3.7 | 9.8 | 84.0 | 121.2 |
| March | 3.5 | 3.7 | 9.7 | 84.2 | 120.6 |
| April | 4.1 | 5.6 | 9.8 | 87.1 | 119.9 |
| May | 3.9 | | | 87.7 | |

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Retail spending bouyant, consumer borrowing at £5.16bn, narrow money grows 6.8%, sales to house builders up 9.05%

# Evidence emerges of spreading recovery

By Gillian Tett and Andrew Taylor

Fresh signs that the UK recovery *is spreading across* the economy emerged yesterday, after building suppliers said that an improvement in the housing market had created a *surge* in the sales of construction materials this spring.

Meanwhile, official figures also showed *that* high street spending remains relatively buoyant in spite of April's tax increases - though hints have emerged that consumers may be becoming more cautious *with credit card spending*.

Shares of building material suppliers surged nearly 3 per cent yesterday following a 9.05 per cent rise in merchants' sales during the three months to the end of May, compared *with the corresponding period* last year.

The jump was led by big increase in sales to house-builders reflecting the improvement in the housing market earlier this year, according to the Builders Merchants Federation.

Mr Peter Gill, federation director, said sales had risen by 7.9 per cent over the previous three months, the highest annual increase since 1987.

However he warned that *"recent reports from* building societies, estate agents and some house builders that the pace of the housing recovery is faltering is worrying."

In another sign of the overall economic pick-up, the Central Statistical Office yesterday said that *consumers spent* a record £3.064m on credit cards in May, pushing the total level of new consumer borrowing up to near record levels of £5.16bn.

However the level of credit card repayment was also *sharply higher*, as *more consumers* sought to settle their credit card debts. As a result the level of net lending fell sharply during the month to £203m, down from £412m in April.

The fall in the net lending *figure slightly disappointed* the City, which had expected a figure of *about £350m*. However the Treasury pointed out that the underlying trend remained upwards, with net lending in the three months to May slightly higher than in the three months to February.

Any *disappointment was* also offset by a strong June figure for M0, the narrowest measure of money supply. This showed that M0 grew by 6.8 per cent last month compared to the previous June, fractionally down from May's revised *annual growth figure of 6.9 per* cent.

M0 has traditionally been regarded as an indicator of high street spending, and some analysts suggested that the figure indicated that June's retail *sales data would be strong*.

However the Treasury yesterday pointed out that the *recent growth* in M0, which is now outside the government's monitoring range of 0-4 per cent, also reflected the fact that lower interest rates were encouraging consumers to hold more cash. And analysts warned that the mixed picture emerging from the credit business data suggested that consumers were still spending very cautiously, in spite of the underlying *health* of high street activity.

## Backers of Ulster peace 'gain ground'

*Those Northern Ireland* republicans who want a peaceful way forward in the province are "probably, just probably, in the ascendancy," Royal Ulster Constabulary Chief Constable Sir Hugh Annesley said *yesterday*.

"On balance I am optimistic, because I still very firmly believe that the Downing Street declaration has pushed the provisionals into a cul-de-sac," he said, launching *the force's annual report*.

The accord had led to the British and Irish being ranged against the IRA and it had also changed public opinion in the US and Western Europe, he said.

*He held out the prospect of* an IRA end of violence leading to similar action by the loyalist UFF and UVF. "I suspect if the provisionals were to call a halt and in so doing the loyalists did not see 'a sell out' then I *believe the loyalists*, for the most part, would stop violence as well."

He predicted that terrorist violence would abate in the next three years, or even earlier, but that "people in these groups *(will)* turn to intimidation, GBH, further into drugs, and further into robbery."

The report shows that there were fewer bombing incidents *in Northern Ireland last year* than in 1992, and one fewer terrorist murder.

The report said 84 people were murdered during 1993 – 70 civilians, eight soldiers and six police officers – one fewer than *the year before. Loyalists* were again responsible for the majority of murders – 48 against 36 by republican groups.

Republican *terrorists* were responsible for the overwhelming majority of bombings, but Sir Hugh said there was "clear evidence" loyalist terror groups were improving their explosives capability and were *responsible for 22% of bomb* incidents against just 2% in 1992.

The police and army seized nearly 200 firearms last year, more than 20,000 rounds of ammunition and nearly *39,000lbs of explosives and* bomb-making material. A total of 371 people were charged with terrorist type offences - 236 loyalist and 135 republican.

Sir Hugh said the RUC Anti-Racketeering Squad had made *substantial progress in* preventing a serious escalation of *money-raising* ventures and in reducing some means of funding.

More than 500 people had been prosecuted to date, the total amount involved being more than £55 million.

*Crime in total, including terrorism*, decreased by almost 2% while the detection rate increased by 2% to 36.4% - well above the national average.

Despite the public perception of Northern Ireland being a terrorist ridden region, ordinary burglary and theft accounted for almost three-quarters of the crime total.

## Three years on, many wait for BCCI redress

By Andrew Jack

On July 5 1991, customers, staff and bemused passers-by watched with varying degrees of horror and surprise as the doors of Bank of Credit and *Commerce International* were closed in a sudden sweep by global regulators.

Three years later, many hundreds of thousands of depositors, *creditors and employees* of BCCI around the world are still awaiting much sign of redress following one of the biggest bank frauds in the world – totalling more than $12bn.

*Of the employees, many* have been hit three ways: they have lost their jobs, their salaries and been under pressure to repay their subsidised mortgages and other loans with the bank. The stigma attaching to *BCCI has made it difficult* for many to find other employment.

For UK-based sterling customers of the bank, the depositors' protection *scheme* had provided compensation of three-quarters of their savings up to £15,000. Equivalent schemes have been triggered in some other countries.

However, creditors are likely *to yet have to wait well into* next year for any payout from liquidators. Depending on a $1.8bn contribution under negotiation with Abu Dhabi, the bank's majority shareholder, they may receive in the *region of 15p-20p*.

Further payments will depend on continued attempts to trace assets and to settle litigation launched by the liquidators against bank regulators, auditors, directors and related parties involved in transactions with BCCI. Ultimately the prediction remains *30p-40p in the pound*.

The primary beneficiaries so *far have been the professionals* – several firms of lawyers, consultants and notably the partners at Touche Ross, the accountancy firm, who have been *liquidators* to the bank and have so far levied more than £98m in fees.

For some of the key protagonists involved, criminal justice has been a little swifter. Last month, the authorities in Abu *Dhabi*, the *majority* shareholder in the bank, sentenced 12 former executives to pay $9bn in compensation and serve a total of 61 years in prison.

One of these, Mr Swaleh *Naqvi*, the *chief executive*, is currently in the US where he may be tried on state and federal charges. Mr Agha Hasan Abedi, BCCI's founder sentenced *in his absence*, continues to live in Pakistan.

*Meanwhile*, a number of changes to regulation and banking supervision have been made following the report in October 1992 into BCCI's supervision.

A new law in the UK has made it compulsory for the first time for auditors to report suspicions of fraud to regulators.

Draft banking legislation *proposed for the EU would give* supervisors power to refuse to authorise banks which are organised in a way that impedes effective supervision.

On their way: the Tour de France cycle race attracts young enthusiasts between Roubaix and Boulogne-sur-Mer yesterday

## Return of the Tour de France

By Stewart Dalby

Local authorities across southern England as well as towns like Dover, Brighton and Portsmouth are paying *between £1m and £1.5m to* bring two stages of Le Tour de France to Britain for the first time in 20 years.

The 2,400 mile race, is the world's biggest *sporting event* with a world wide television *audience of 950m*. The organisers, Société du Tour de France, have taken the Tour to countries near France in recent years as a means of broaden*ing international interest*.

The last time the tour came to Britain was in 1974 when a stage was run around Plymouth. It was badly organised and not a success. This time, a stage will run 128 miles from *Dover* to Brighton (July 6). A second stage will see the 189 riders cover 113 miles in a Portsmouth to Portsmouth run through Hampshire.(July 7)

To get the tour, local towns where a stage begins or ends has to pay *a fee to the société*. Brighton has paid £90,000 for example, plus £36,000 to Sport For Television, the British company which has the televi*sion rights in this country*.

Mr Graham Tubb at East *Sussex Council* says: "You only need half a million visitors spending five pounds each and you have more than covered your costs."

At least 3,500 people travel with the Tour as well as 1,500 *vehicles. Dover is expecting* 50,000 visitors at least to come over with the tour. With schools on the routes closed and a national rail strike scheduled for today the routes could be lined with people.

A *spokesman* for Portsmouth said: "We regard this as an *promotional investment* for our town. We are estimating *a total spend* of £10m from this event."

## 'Most influential' medium is BBC, says new report

By Raymond Snoddy

Research by consultants Arthur Andersen suggests that the BBC is by a long way the most influential medium of *communication in the UK*.

The research into consumer use of the media, which is being carried out for News International, has found that the BBC accounted *for 45.9 per* cent all media use calculated in terms of time spent on television, newspapers, radio and magazines.

The second largest organisation in terms of media use was Carlton Communication, with share of media use through Carlton Television at only 7.3 per cent, followed by Channel 4 at 5.4 per cent. Arthur Andersen has split the media use of *individual ITV companies*

Granada and Meridian Broadcasting were equal fourth with 4.1 per cent. News International, publishers of five national newspapers and part owner of British Sky Broadcasting came only sixth.

The media time research is just one of a number of efforts to define "media influence" in the context of a government review of cross-media ownership rules.

Whatever the recommendation, change could be delayed. There are doubts whether any slots are available for media *legislation in the 1994-95 parliamentary session*.

Mr Peter Brooke, the national heritage secretary has made it clear that he does not regard information as the same as other products and is looking for a measure of media influence. The cross-media ownership committee is believed to be looking at total revenue as a measure.

## Doctors anxious at health reforms

By Alan Pike, Social Affairs Correspondent

Leaders of Britain's doctors are to meet later this year to dis*cuss the future of health care* against the background of continuing anxiety over the government's National Health Service reforms.

The undiminished level of concern about aspects of the *reforms, three years after they* were introduced, was demonstrated at the annual conference of the British Medical Association which opened in Birmingham yesterday.

Dr Sandy Macara, chairman of the BMA council, received a prolonged standing ovation *when he spoke of a mood* of despair, alienation and demor*alisation in the NHS*, and announced the BMA's "unswerving determination to reform the reforms".

The planned meeting will be attended by representatives of the Royal Medical Colleges, *Deans of university medical* schools, representatives of the General Medical Council and BMA leaders. It will consider the implications of a range of radical changes – like the shift of much treatment from hospi*tals to family doctors'* surgeries and patients' homes – that are beginning to transform traditional patterns of health care.

The gathering will provide a unique opportunity for many *of the profession's leading figures* to consider the effects of the government's market-style reforms on the way in which these changes are taking place in the NHS.

As a result of the reforms, Dr Macara told the *conference*, co-operation had been sup*planted by commercial competition* in "an uncontrolled, ill-managed internal market" driven by the "perverse philosophy" of winners and losers.

Business plans now overrode clinical priority and treatment, except in emergencies, had *become a national and local* lottery, Dr Macara said.

## US computer services group signs outsourcing union deal

**Richard Donkin** reports on union recognition in Europe's largest IT staff transfer contract so far

The Inland Revenue Staff Federation tomorrow signs a formal union recognition *agreement with Electronic* Data Services, the US computer services company, which has never dealt with unions in its home country.

The deal preserves the union's right to collective bar*gaining for the 1,900 staff of* the revenue's information technology office, who are being transferred to EDS in Europe's largest information technology outsourcing contract extending over 10 years and worth more than £1bn.

After six months of negotia*tions, IRSF members* are to be offered a choice between two employment contracts – an "image contract" to replicate civil service terms and conditions as closely as practicable, and the standard EDS company contract.

Transferring staff will be *able to switch to the standard* contracts if they wish, and the two contracts will run in parallel for the foreseeable future. New staff will be hired on the standard contract.

The standard package offers perks such as free medical and *dental care and company cars* for certain grades. The image contract is the only one covered by collective bargaining arrangements.

The most difficult hurdles in negotiating the image contract, *said Mr Clough, were in* making pension arrangements equal to those available in the civil service and in providing a formal appeals procedure.

The transfer of undertakings protection of employment – Tupe – *legislation, which* protects the terms and conditions *of public sector employees* whose contracts are trans*ferred to the* private *sector*, meant that EDS had to make a commitment to work with the union, which represents the vast majority of the staff.

"We came at it from the point of view that we needed to recognise the unions," said Mr Peter Clough, MD of EDS's Inland Revenue Division.

Mr Clive Brooke, general secretary of the IRSF, said: "We believe that a particular strength we can bring is the job security we are offering *staff. I think this is where* unions will have an increasing role to play."

The next stage of what Mr Stephen Dorrell, financial secretary to the Treasury has described as a "strategic part*nership" between EDS and the* Inland Revenue, will be developing a working relationship between a public body and a corporate operation.

The IRSF intends to seek membership among other EDS employees.

## Britain in brief

### Million new mobile users in a year

Mobile phone operators have gained a million new subscribers in the past year, taking the total number of mobile phone users in the UK to nearly 2.6m.

Vodafone and Cellnet, the two largest operators, reported a far higher growth rate for the second quarter of this year than for the same period last year, despite the launch of two new cellular networks – *Orange and Mercury* One-2-One – since last September.

Vodafone recorded a net increase of 155,000 subscribers between April and June, up from 57,000 in the same period in 1993. Cellnet increased its user base by 128,500 in the three months, up from 54,750 last year.

### Potato board faces abolition

Disgruntled potato growers have forced a poll of the UK's 15,000 producers in a campaign for the immediate abolition of the 60-year-old Potato Marketing Board.

The board said that 420 growers, led by the Scottish Potato Trade Association, had called for the poll, the results of which should be known before the end of August.

The potato marketing *scheme is due* to be wound up anyway in three years' time, under proposals announced by Mrs Gillian Shephard, agriculture minister. *But the option exists for a* successor body to continue potato promotion and research.

However, the growers who want the board scrapped immediately are unwilling to continue paying a levy of £48 per hectare now *that its* principal function of intervention buying to support prices has ended.

### Health cover growing fast

Health insurance is one of the fastest growing areas of consumer spending with an 80 per cent increase on health insurance compared to five years ago. Yet the amount – £1.16bn in 1993 – is still *relatively small, at only* one-fifth of the size of the motor insurance market, according to a new report.

Mintel, the market research *group, said the growth is due* to cuts in state benefits coupled with a long-term rise in personal incomes.

### CSA fails to meet targets

The Child Support Agency failed to meet almost all its *main targets on costs and* services, says the agency's first annual report *published*.

The agency assesses and collects maintenance payments from absent parents to support parents caring for the children. In its *first year, it* took on 850,000 cases and made more than 200,000 maintenance assessments.

However, it fell £112m short of its target for saving the Treasury £530m in the cost of benefits paid to parents caring for children. The agency *also achieved* barely *half its* target of arranging maintenance for 60 per cent of parents making eligible applications.

### New cheap day return to NY

American Airlines, the second largest US carrier, has introduced a new cheap day return business fare on its transatlantic flights from London to New York.

As competition intensifies *on transatlantic routes*, American announced it was cutting by 38 per cent its *fares* for business travellers flying from Heathrow to JFK and back again on the same day.

The new cheap day return *business class fare, valid* between July 4 and September 30, will cost £1,300 compared with the usual business class return price of £2,122. American has also reduced first class tickets from £3,870 to £2,500 for same day *return* journeys. American said two of its six flights from Heathrow to JFK arrive in New York by lunchtime giving the opportunity for *business* in the afternoon before a flight home in the evening to arrive in London the following morning.

# Full employment is back in fashion after half a century

**David Goodhart** on the 'middle-way' between the US and European job market models

Full employment, or at least talking about it, is back in fashion.

*Today's Trades Union* Congress conference, marking the 50th anniversary of the wartime coalition's policy paper on employment with its commitment to "maintain a high and stable level of employment" - would have been unthinkable a decade ago.

*The attendance at Looking* Forward To Full Employment of Mr David Hunt, the secretary of state for employment, is testimony to a new consensus *about* the urgency of reducing unemployment: an urgency which spreads far beyond the labour movement.

John Philpott, director of the *Employment Policy Institute* think-tank (EPI), pinpoints the change of mood by contrasting the 1984 Mais lecture by Nigel Lawson - which blamed unem*ployment on rigid labour markets* and relegated it to a "residual" *of economic policy* making - with the 1994 Mais *lecture by Kenneth Clarke*, the chancellor of the exchequer.

Clarke not only stated that unemployment must be the "main preoccupation" of economic policy makers in the 1990's but added that he shared the policy paper *commitment* to maintain a high and stable *level of employment*.

Curiously, when the 1984 Mais lecture was delivered registered unemployment was *rising* rapidly towards 3m, yet by *the time* of the more "unemployment-conscious" 1994 Mais lecture the figure was still high (2.6m) but *falling* rapidly.

The apparent lesson of the *1987 and 1992 general elections*, that mass unemployment has ceased to be a major issue - especially when the *trend* is downward - no longer seems to *apply*. Why that should be so is unclear; *it may stem* from employment insecurity amongst the middle classes.

Whatever the reason, the TUC and the EPI (co-sponsor of the conference) are capitalising on the new anxiety about *unemployment* with a refreshingly open-minded agenda. A decade ago such a conference would have been peppered with calls for a massive expansion in demand and huge state-backed programmes.

*The papers for today's* conference - written mainly by centre-left academics but representing a wide range of views - scarcely mention such things. Indeed, the introductory paper by John Philpott indicates that supply side measures, rather than boosting demand, are most appropriate.

*Philpott says the conference* should be seen alongside the recent European Union policy paper on employment and the OECD Jobs Study as a contribution to the "middle way" - between the *de-regulated* US model with its high job cre*ation but meagre social protection* and the regulated European model with low job creation but more generous protection.

This *is where the consensus* usually breaks down, with the left believing the European model can still create jobs even with high costs, and the right arguing *that* there is a *sharp* trade-off between protection and job creation.

But Peter Lilley, the social security secretary, now says there are limits on *how far* Britain can go in reducing unemployment US-style by allowing incomes to fall sharply. Kenneth Clarke is examining how to extend "top-up" benefits for people on low pay, such as Family *Credit*.

Similarly, the TUC papers, propose a range of employment friendly reforms to the tax and benefit system while trying to take account of how radically the pattern of employment has changed *since 1944*.

But several TUC papers reject the idea of topping up low wages through the benefit system in favour of a high min*imum* wage and a hefty dose of labour market re-regulation, (which is TUC and Labour Party official policy).

How much tension there is between *such policies* and rapid private sector job creation is, disappointingly, not discussed. Similarly, there is no paper which looks at job creation from an employer perspective (*or specifically*, a union point of view), and very *little acknowledgement* of the European and international dimensions. Nevertheless there is no TUC "line" in the papers and several are realistic to the point of pessimism.

● David Marsden says the discussion about *regulation* and de-regulation assumes a homogeneous labour market. He argues that while too much regulation at the bottom might destroy jobs, de-*regulation* in the middle could destroy the potential for the "co-operative exchange" between employer and employee which aids high-*productivity* performance.

● Ewart Keep and Ken Mayhew argue that training is not the answer to Britain's industrial and *employment failings*. They say we have a skills *shortage* not because of insufficient supply of skilled labour but because of insufficient demand for it. Too many employers are happy to survive in low-skill, *low-value-added* businesses, which remain profitable because of the low cost and high flexibility of labour.

● Patricia Hewitt says that full employment in 1994 must be full employment for women as well *as men and that will* require working with the grain of the new flexible working arrangements. The trouble is, (and the government agrees), the *unemployed* and their families are trapped between a flexible labour market and an inflexible social security system.

## TECHNOLOGY

Multimedia means different things to different people but, as **Michiyo Nakamoto** reports, everybody wants to be involved

# Not at all quiet on the home front

Japan's electronics industry, with its leading-edge technologies and manufacturing capabilities, is expected to play a major role in ushering in the age of multimedia.

Some companies, such as Toshiba and Sega, are already involved in multimedia tests in the US or, like Matsushita and Sony, have forged strategic deals with US leaders in the field.

But when it comes to their own plans to bring multimedia to the masses, Japanese electronics makers display an uncharacteristic lack of confidence.

"I don't think ordinary citizens need so much information," says Tsuzo Murase, an executive vice president of Matsushita who has played a key role in the company's multimedia strategy.

Privately, many admit that they still do not have a very clear idea of what multimedia is all about and where it is heading. "The word multimedia covers so many things that it is difficult to define," says Takashi Ochiai, general manager of the personal services division at Fujitsu. "Telecommunications companies, broadcasters and manufacturers each have different views of what multimedia is."

Opinion is also divided over whether multimedia will take off first as a business tool or as a high-tech entertainment gizmo. But if there is one thing that everyone agrees about it is that whatever multimedia turns out to be, they will want to be involved in it in some way or another.

So, overcoming their instinctive reservations, the forerunners in the race to bring out multimedia machines are taking a two-pronged approach of attacking both the home and the business markets at the same time.

In the home market, many equipment makers are convinced entertainment games and educational software programs will provide them with an entry into the multimedia market. "Games are the easiest form of multimedia," says Mikio Higashi, Matsushita executive in charge of information equipment.

The approach taken by this camp has been to bring computing and communications capabilities to the television set. Matsushita, for example, has launched 3DO Real, a machine based on technology developed by 3DO, a US company in which it has a stake. The machine can play CDs, CD-Roms and CD Video.

The 3DO Real machine can be connected to cable TV and phone lines. Matsushita plans to enable users to hook up to communications networks in Japan as well as to the Internet. It will also be able to serve as the terminal for multimedia services, such as home shopping and video-on-demand.


And once Matsushita comes out with a keyboard for 3DO Real, later in the year, the machine, which Higashi notes has the capabilities of a workstation, will be able to serve as a PC in the home. "There are so many applications that we don't have to worry about what to do with the machine," Higashi beams.

For the time being, however, Matsushita is hoping that a steady increase in its games titles (see below) and the launch of a game based on the popular film *Jurassic Park* will boost sales of 3DO Real, which has suffered from having to compete with lower-priced conventional games machines made by Nintendo and Sega.

"Multimedia is a software business," Higashi says. It will provide Matsushita with an attractive way to use its software assets, acquired through MCA of the US, and most of the profits from 3DO Real will come from the software. "We want to make 3DO Real a practical product that every family will want."

As services and technologies advance, Matsushita will incorporate the CD-Rom drive and PC board that give 3DO Real its intelligence, directly into the TV, Higashi says. Meanwhile, Fujitsu, Japan's largest computer maker, has adopted a different approach, using a multimedia PC, called FM Towns, and a more consumer-oriented cousin, called Marty, as entries into the home market.

The original idea behind FM Towns was to make the PC easy enough for anyone to use. Some 55 per cent of sales have been to home users, 35 per cent to schools and just 10 per cent to businesses. Marty, which was launched last year, connects to a TV and plays the same software as FM Towns.

Both FM Towns and Marty use CD-Roms and, in addition to CD-Rom games and data, play music CDs, karaoke CDs and photo CDs. Users can create their own data on screen which can then be captured on a floppy disk. Both also serve as terminals to access a variety of communications networks.

In Air Warriors, one of the games applications that can be used either on FM Towns or Marty, the player connects into the communications network and flies his aeroplane through the landscape that appears on screen. If other players connected to the communications network want to join in, they can form a team and "talk" to each other in much the same way that PC users on a network send messages.

Eventually, as advanced telecommunications networks, such as integrated services digital networks, become more widespread, players on the network will be able to hear each other speak, rather than send messages on screen, says Ochiai.

FM Towns and Marty will also serve as terminals for services such as screen shopping and video-on-demand. In future FM Towns and Marty are likely to offer the capability to link up with cable TV.

Fujitsu emphasises the potential of its multimedia products as an educational tool rather than just a games machine. It also believes they can be used more widely as marketing tools, in showrooms, for example.

Meanwhile, both Fujitsu and Matsushita have kept their options open for the business multimedia market. Fujitsu has an installed base of 40,000 FM Towns PCs in the office market while Matsushita recently introduced a PC that can show video and TV on screen.

But given the currently low penetration of basic PCs in the Japanese office, the home market in Japan may be a more promising starting point for multimedia. Murase, for one, has put his PC away. "I never used it and it was taking up too much desk space," he says.

# The games and how to play them

The stranger's face was familiar. It was Peko-chan, a popular character who has advertised sweets for Fujiya, a confectionery maker, for as long as most Japanese people can remember.

"Hello," Peko-chan said. "Glad to meet you."

"Glad to meet you too," the monster-like character we had chosen to represent us on screen said. "Where are you right now?"

"I'm at home," Peko-chan replied "Where are you?"

"We're in Akihabara," we replied. "In Fujitsu's showroom."

We had met Peko-chan at the Oracle Fountain, a popular meeting place in Habitat, a virtual world of the computer screen where humans meet behind digital masks to socialise anonymously.

Habitat is accessible through a multimedia network Nifty-Serve, operated by a subsidiary of Fujitsu. The virtual society boasts an active community on computer with a population of 9,000 at the latest count, many of whom have come to know each other well, but only on screen.

The idea of creating a virtual society came from the studio of George Lucas, the US film director of *Star Wars* fame, but was licensed and marketed for the first time by Fujitsu.

The goings on at Habitat, a society whose citizens can assume whatever sex, name, history or personality they want and where nobody has to disclose his true self, have offered such a revealing illustration of human behaviour that many behavioural scientists have joined the community for their studies, says Takashi Ochiai, general manager of Fujitsu's personal services division in Tokyo.

Everyone who becomes a citizen in the Habitat community gets an avatar, or computer figure, which is either male or female, as well as several hundred tokens as spending money.

The avatar's head is interchangeable and heads can be purchased in vending machines throughout the community. His pockets are large enough to store several heads.

If a citizen of Habitat wants to assume several personalities he can do so simply by keeping a stock of heads in his pocket and pulling out a different head whenever he wants to become someone else.

In the initial stages of Habitat, the heads presented one of the biggest social problems. Unscrupulous characters would run away with other people's heads left briefly on the road as they were changing them.

More happily, several Habitat citizens have been married on screen, though so far only one couple has been united in real life.

Residents' tax for Habitat citizens is Y300 (£1.90) a month and communications costs are modest at a little over Y10 a minute.

But the attractions of life in Habitat, which offers 400 locations for inhabitants to roam, are such that enthusiasts can spend hours and several tens of thousands of yen living in this virtual world.

Peko-chan, a citizen of Habitat for the past four years, told us that he comes to Habitat, or logs on to the system through his computer, every day for about one to five hours at a time.

"I usually come at night," Peko-chan says. "I like to talk to people in Habitat, because I can express myself better," he explains.

Peko-chan has met several people through Habitat. He has met some of his Habitat friends outside the computer world and chats regularly with them on the telephone. "My phone bills are my biggest problem," he says.

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Chiaki Sonoyama has been invited to the country home of Senshu Sakuragi, the head of a famous family which has been carrying on the tradition of Japanese dance.

But before Chiaki arrives at the Sakuragi home, Yosen, the eldest of the three Sakuragi children and heir apparent, is poisoned and dies.

A writer of mystery novels herself, Chiaki sets out to try to solve the puzzle of who murdered Yosen and why. Like the popular American computer game, Where in the World is Carmen Sandiego, the player of this multimedia game must choose his own clues and follow his own instincts to solve the mystery murder. The drama takes different twists and turns depending on the player's judgment about what may have happened.

What is appealing to a Japanese audience is that "The Murder at Kurama" uses live video footage, with popular stars playing the parts and filmed settings, including scenes of the ancient capital Kyoto, where the drama unfolds. In order to add depth and motivate players to try different options, the producers of the game have provided different conclusions depending on how the game is played.

As with this mystery, live video footage is increasingly being used in advanced video games.

Matsushita's 3DO Real boasts clear moving video images that are made possible with the use of a 32-bit Reduced Instruction Set Computing (Risc) chip, and two especially powerful semiconductor chips that have been incorporated into the machine to process the graphics.

Compared with semiconductor chips in conventional games machines, "the difference is similar to that between having a tunnel dug by three normal people and having it dug out by three body-builders," explains Kenichi Tsumura at Matsushita. "The power that 3DO Real has to make pictures is about 50 times as great as normal games machines."

Unfortunately, crisp video graphics are difficult to attain in full motion so the effect is somewhat jarred pictures when characters are in action. But Tsumura notes that this will be improved when Matsushita brings out an adaptor to bring the full-motion video up to the MPEG-I standard.

# BUSINESS AND THE LAW

## Waste regulation sustained

EUROPEAN COURT

An action brought by the European Parliament against the European Council challenging the legal basis of the council regulation on the supervision and control of shipments of waste in the European Community was rejected by the European Court of Justice last week.

In 1990, the European Commission put forward an initial proposal for a council regulation dealing with the supervision and control of waste shipments within, into and out of the EC. It was based on provisions of the Rome Treaty relating to the internal market and the common commercial policy. The European Parliament was consulted.

In 1992, the Council decided the correct legal basis for this legislation was in fact the treaty provisions dealing exclusively with the environment. Those gave the European Parliament fewer powers of influence in the legislative process.

In spite of protests from the Parliament, the Council adopted the regulation on February 1 1993 with the changed legal basis.

The Parliament brought an action against the Council for annulment of the regulation. It argued the parts of the regulation dealing with the shipments of waste between member states, exports and imports, plus transit of waste from outside through the EC for disposal or recovery outside the EC, should have been based on the single market and common commercial provisions in the Rome treaty.

The Council, supported by Spain, argued the proper legal basis for the regulation was the environmental provisions of the treaty even though the regulation did have an impact to an extent on competition in the Community and trade with third countries.

The Court ruled the Parliament's submissions on the provisions relating to the common commercial policy were not admissible as those provisions did not foresee any decision-making role for the Parliament. Parliament was only entitled to bring actions such as the present case in order to safeguard its own powers. This was not the case with regard to the common commercial policy.

The Court then dealt with the question of the legal basis. It said the choice of legal basis for any given Community act had to be founded on objective factors which were amenable to judicial review. Those factors included in particular the aim and content of the act in question.

It found from examination of the regulation's recitals that the system established for the surveillance and control of shipments of waste between member states was based on the need to preserve, protect and improve the quality of the environment, and that the system envisaged that the authorities would take all measures necessary to protect human health and the environment.

It also found that the organisation for such surveillance and control of waste shipments came within the Community legislative framework on waste generally, the aim of which was to reduce the movement of waste.

As to the regulation's content, the Court found that it set down certain conditions and procedures for authorising the inter-state transfer of waste. The conditions and procedures were adopted in order to guarantee environmental protection and, in particular, they allowed member states to prohibit waste transfers.

The Court thus ruled the regulation came within the framework of environmental policy rather than that relating to the internal market in that it did not seek to regulate the free circulation of waste within the EC.

The Council had therefore been right to base the regulation on the environmental provisions of the Rome treaty. This was so even though the operation of the regulation could have an impact on the working of the internal market.

The mere fact that the establishment or operation of the internal market was somehow affected through the operation of a given act was not sufficient to justify that act having as its legal basis the internal market provisions of the Rome treaty. It was only when there was more than just an incidental impact on the internal market that the position might change.

*C-187/93: European Parliament v Council, ECJ FC, June 28 1994.*

BRICK COURT CHAMBERS, BRUSSELS

## Fraudbusters' unsure future

**Robert Rice** on the possible merger of two UK prosecution organisations

Six years after the UK's Serious Fraud Office was set up to tackle serious and complex fraud, its future is in the balance. A government review has recommended the merger of the SFO and the Fraud Investigation Group (Fig) of the Crown Prosecution Service.

No decision will be taken until feasibility studies into whether the SFO and CPS should become executive agencies, outside the civil service, have been completed. Sir Nicholas Lyell, attorney general, will then decide whether the SFO should be expanded to incorporate Fig, or whether the merged body should be placed under the control of the Crown Prosecution Service.

His decision will determine whether responsibility for the fraudbusters should remain with Mr George Staple, current director of the SFO, or pass to Mrs Barbara Mills QC, director of public prosecutions and Mr Staple's predecessor.

The review, chaired by Mr John Graham, a Treasury official, and published last week, favoured subsuming the SFO into the CPS. If the government opted for that solution, it would raise questions about why the SFO was established as a separate body in the first place.

Mr Paul Phippen, a fraud lawyer at City solicitors Macfarlanes, pointed out the SFO had been set up as a discrete office because Fig was considered incapable of providing the specialist service required. But a number of high-profile failures by the SFO, such as in the Blue Arrow, Levitt and Nadir cases, means many lawyers now believe Fig is doing the better job.

The review, which was set up to investigate the cost-effectiveness and efficiency of the two organisations, carried out a comparative study. The SFO and Fig have different powers and approaches to combating fraud: the SFO was set up to investigate and prosecute serious fraud; Fig advises the police on investigations and handles subsequent prosecutions. Both deal with complex or serious fraud, although the SFO handles only cases involving at least £5m.

The SFO's budget for the current year is £21m and it employs 21 lawyers. Fig has a budget of £10m and employs 30 lawyers. At the end of November last year, the SFO had 51 cases on its books and Fig had 450. However, more than 40 per cent of Fig's case load was not considered serious or complex by the group's own lawyers, and the review concluded that such work should be devolved to the CPS.

The review also found considerable overlap in the work of the two bodies – so much so that it said it was anomalous to apply such different methods to what in many instances were similar cases.

This similarity has increased in recent months, as the SFO's case load has declined and it has taken on smaller cases that it might otherwise leave to Fig. The Maxwell prosecution is the only large case now on the SFO's books. The review warned that, unless this issue was addressed quickly, the SFO would have increasing spare capacity.

The review found scope for improvements in management information and case management systems. Fig had few useful systems in place, while the effectiveness of the SFO's systems was not being fully exploited. Some SFO investigative work had been undermined by the absence of clearly defined responsibilities for the investigation. In both organisations, there was no formal management overview of important prosecution decisions, and in the SFO no overview of vital investigation decisions.

The SFO's powers under section 2 of the Criminal Justice Act 1987 to compel those under investigation to answer questions, removing the right to silence, had proved effective, said the review, and should be extended to the police and to Fig.

It also noted the SFO had expressed concern about the lack of effective control over the police officers seconded to work on cases, and endorsed a review of current arrangements between the police and the SFO.

Both organisations needed to make better use of outside barristers to improve efficiency. They could make greater use of in-house lawyers for pre-trial work, and generally bring in counsel to advise at a later stage than at present.

Overall, the lack of consistent comparative data about case loads, costs and results meant the review was unable to draw firm conclusions about the cost-effectiveness of either body's approach.

However, the available evidence suggested that, although the SFO dealt with the largest and most complex cases, its superior resources and section 2 powers had not produced a consistently better conviction rate than Fig.

The review recommended short-term improvements in management and organisation, and in the longer term a merger of the two bodies. In spite of its finding that section 2 powers had not improved the SFO's success rate, the review said the chief advantage of merger would be the extension of these powers to all serious fraud cases.

Establishing the new body under the SFO could be done immediately, but subsuming the SFO into the CPS would require primary legislation, which would be impossible until 1996. Nevertheless, the review team felt that placing the SFO within the CPS would offer most benefits. These included the support structure in the CPS, reduced administrative costs and greater ability to vary resources to meet changes in case load.

It recognised, however, that establishing a new body with an investigative role as part of the CPS would be a big departure from present policy. The new body would need to be "ring-fenced" in a separate group within the CPS to prevent any further extension of such powers to the prosecution of other crimes.

Do these recommendations provide the answer to the present difficulties of the SFO? Most fraud lawyers are sceptical. Mr Phippen said he could not see them making any difference to the issue of how to prosecute substantial frauds efficiently and cost-effectively.

"If I was very cynical, I would say it was a way of getting rid of the SFO 'tag', which has been an obvious target for poor publicity," he said.

Mr John Clitheroe, senior partner of Kingsley Napley, said the proposals might produce efficiency improvements, but he was alarmed by the proposal to give section 2 powers to the police. "I think that would be a very material step in the wrong direction," he said.

The original purpose of the section 2 powers was to enable the SFO to obtain information on the background to a case. They are very different from the procedures followed by the police under the Police and Criminal Evidence Act codes, which had been designed to ensure fairness in interrogations, he said.

"I fear this is part of the seemingly inevitable process of diminishing the protections given to the citizen in criminal investigations," he said. "It would establish a momentum towards compulsory interrogation as a matter of course. The police will say: 'Why can't we have section 2 powers?' I would have thought the dangers of that have been amply demonstrated by the miscarriages of justice we have seen over the past 20 years."

Whatever happens to the SFO, the real question is whether it will make any material difference to the battle against serious fraud. Lawyers remain unconvinced. Much may depend on the outcome of the Maxwell trial this autumn.

Will Barbara Mills wrest responsibility from George Staple of the SFO?

## LEGAL BRIEFS

### Individuals gain right to apply directly to court

Individuals will be able to apply directly to the European Court of Human Rights in Strasbourg from October 1. This follows ratification of Protocol Nine to the European Human Rights Convention by Romania, bringing the number of nations that have done so to 10 – the number required for it to come into effect.

Under article 25 of the convention, any person claiming a human rights violation can bring an action against the state responsible by applying to the European Commission of Human Rights. If the commission cannot reach a friendly settlement of the issue, it makes a finding on the facts as to whether there has been a violation. At present, only the commission or the state concerned can refer a case to the court.

Under the new system, the individual concerned will be able to apply to the court. A panel of three judges will then decide whether the case should be heard. From October 1, the protocol will come into force in the 10 states that have ratified it: Austria, the Czech Republic, Finland, Hungary, Italy, Luxembourg, Netherlands, Norway, Romania and Slovakia.

### Private business

White & Case, the US law firm, has emerged as the leading legal adviser on privatisations in 1993, according to the magazine Privatisation International. The firm was involved in 65 privatisations in 15 countries, 60 of them in eastern Europe and the Commonwealth of Independent States.

### Vietnam rush

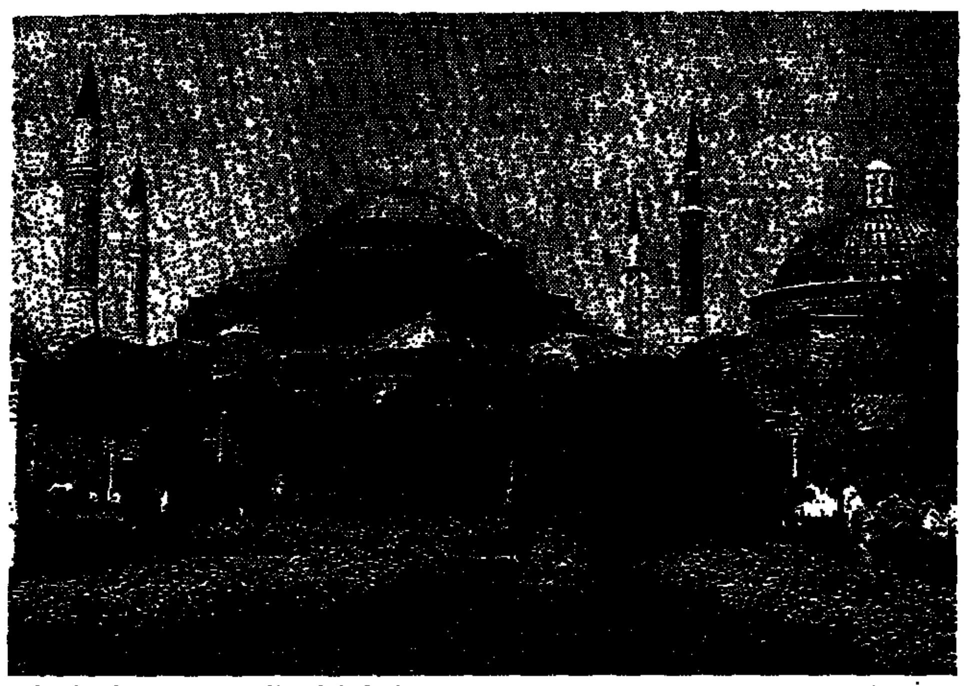
The rush by US and UK law firms to open offices in Vietnam continues. Lovell White Durrant, the City firm of lawyers, is the latest to apply for a licence to practise in Ho Chi Minh City.

FINANCIAL TIMES SURVEY

# MARMARA

■ Gemport blazes trail for infrastructure projects Page III

Tuesday July 5 1994



St Sophia's Cathedral is one of Istanbul's landmarks

The new liquefied natural gas terminal at Tekirdag (see page III)

## Bustle in a former backwater

**Turkey's fastest-growing region and industrial heartland is an important export centre that still needs to resolve infrastructural and pollution problems. This survey was written by John Murray Brown**

It is 10am and Bursa's silk bazaar is starting to stir, as farmers empty baskets full of tightly-spun white balls onto wooden trestle tables. Today, the cocoon auction, which in former times would have attracted the city's most powerful business names, lasts barely an hour and seems little more than a tourist curiosity.

For across the Marmara region, as industries come of age, tradition is giving way to modernity. An area, which 30 years ago was a quiet backwater where Ankara civil servants took their well-earned summer holidays, has today become Turkey's fastest-growing region, an important export centre, the home of Turkey's best-known brand names, and a nursery for some of the country's most innovative public infrastructure projects.

The reasons for the decline of the silk industry are not just that the region has cut down many of its mulberry trees. Merchants in the Bursa cloth arcades are doing a lively trade selling material from China. However, the real heart of the city's textile production is no longer to be found under the vaulted ceilings of the Koza Han, but in modern facilities on the dusty plains below the city.

The Ottomans, before capturing Constantinople, established Bursa as their first capital, attracted by its thermal springs and good air. The environment may have suffered somewhat, but the city is now the centrepiece of Turkey's auto and textile industry, and the focus for the rapidly developing food processing sector. It is also the uncrowned centre of a region which abuts the Marmara sea, stretching from Istanbul to the Dardanelles to the west, and encompassing the vast indefensible Thracian plains on its northern shore and the orchards of Mustafakemalpasa on its southern reaches.

Istanbul is not dealt with in detail here. Nonetheless, some mention of Turkey's largest city is vital to understanding the region. For what the authorities in Istanbul do, particularly in the disposal of their sewage, vitally affects the towns and villages which border on the Sea of Marmara.

The Marmara, or the Propontis as the ancients called it, is caught like a bubble between the Black Sea and the Aegean. Its waters are already dangerously polluted. A project has been launched, with funding from the European Union, to monitor pollution levels using a mobile measurement and monitoring system.

Attempts are also being made under the auspices of the Union of Marmara Municipalities to co-ordinate the policies of the region's 280 town halls, which encompass 10 provinces. But as Mr Fikret Töksöz, the union's secretary general sees it: "The main problem is that no one knows what anyone else is doing."

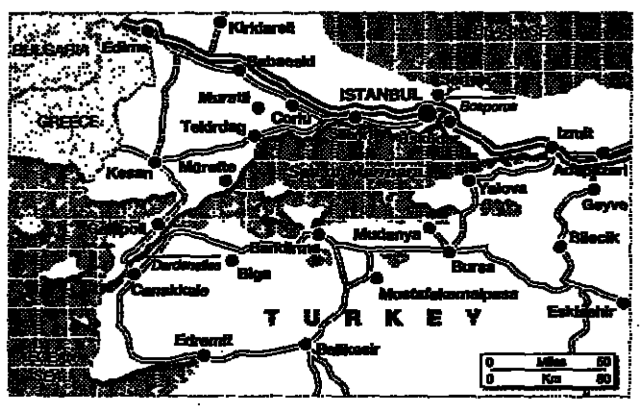
The instances of co-operation between local authorities are all too rare. In Izmit, Thames Water, the privatised UK utility, is looking at a scheme to provide potable water not just to the Izmit municipality but also to Istanbul, where the supply of water has taxed city planners since Byzantine times. Agreeing terms has so far proved difficult.

In Bursa, the municipality's main grumble is over tax. Mr Erdem Saker, the mayor, says that many of the industries in his region have their head offices in Istanbul. As a result, their tax payments, on which municipality funding is based in Turkey, go to boost the coffers of the Istanbul mayor instead of the Bursa city hall, which has to foot the bill to provide the infrastructure for these industries.

At Izmit, there is another equally pressing problem. Mr Yuksel Başer, the head of the local chamber of commerce, says the region's economic growth rate, which is twice as high as the Turkish average, is providing a magnet for large-scale migration and putting a great strain on the city.

Izmit, which was elevated to the status of a greater municipality last year, is a sprawling port town of 1m inhabitants. Mr Başer estimates the city will need an additional 100,000 new homes in the next five years. "Normally, people come from other areas of Turkey but we are afraid that migrants will start arriving from Istanbul," he says.

Take the road east from Istanbul, the evidence is all too clear as the countryside is rapidly submerged by the onslaught of ramshackle development and new industry. The route skirts around the northern coast and past the old weaving centre of Hereke, a town which seems to have disappeared underneath cement factories and motorway flyovers.




If Bursa is the region's private sector dynamo, Izmit by contrast has some of the qualities of a state sector sloth. According to the chamber of commerce, around 30 per cent of the city's working population is on the government payroll.

Izmit bay is today the centre for Turkey's petrochemical industry and the site of one of the first paper pulp factories - government concerns which are now the target for Turkey's efforts to privatise some of its extensive public enterprises.

Mr Başer is sceptical about the success of the privatisation programme. "The problems will not be solved if the bureaucrats close this plant here so they can buy limousines in Ankara," he says acidly.

The contrast with the nearby Kentsa complex could hardly be more emphatic. Just on the outskirts of the town, on a piece of reclaimed marsh land, the Sabanci group, Turkey's second largest industrial conglomerate, has constructed one of the world's largest integrated tyre plants. The factories provide a striking reminder of the role of private sector capital in Turkey's recent development. As does the Koç group, Turkey's other big industrial player, which is also well represented in the region in a joint venture with Fiat in the car sector, and blazing a trail in the processed foods sector.

But the Marmara region also has also thrown up its own generation of business tycoons. Although locally raised, many of them are first or second generation immigrants from Bulgaria and Greece, such as the textile magnates Ali Osman Sonmez, a Turk from Bulgaria and Mr Cavit Caglar, the former state minister whose parents came to Turkey from Greek Thrace in the 1940s.

It is with the same entrepreneurial drive that local businessmen are now addressing the problems of the region's infrastructure. The development of the privately run port at Gemlik is a prime example of the endeavours of private sector initiatives in an area traditionally dominated by the state. The government is now looking at a series of privately franchised power and water projects using the Build Operate and Transfer model.

For the region is a major energy corridor, carrying the gas pipeline from Russia to Turkish Anatolia. It is the site of the newly opened liquefied natural gas terminal at Tekirdag, the port town where Voltaire's Candide and Pangloss retire to cultivate their garden.

It is on the crossroads of the region's principal highways. The sea itself is part of the vital trade route for the tankers taking oil from central Asia and for the newly independent Black Sea states, for which this is now the main route to western markets.

The Istanbul peninsula is a choke point for transit and other truck traffic making its way eastwards. The congestion is again forcing planners to reconsider long-standing proposals to build a bridge across the Dardanelles to divert some of this heavy goods traffic.

All the pieces are there. Some jobs have been lost, particularly in the car industry during the current economic crisis. But industrialists are confident they can switch production lines for exports and provide a cushion through this difficult period. When the recovery does come, Marmara will be the first region to take advantage of the change of climate.

Kordsa is cutting costs to improve efficiency

# Tyre cord company sees potential in exports

"You won't find this in any factory in Europe," says Mr Akif Azizoglu, the plant manager, pointing to a strange arrangement of strip lighting suspended above the looms at the Sabanci group's Kordsa tyre cord factory, just outside Izmit on the northern shores on the Marmara.

Cost savings are a principal preoccupation of the company, as it prepares for Europe and the approaching customs union with the European Union, which is scheduled to come into effect in 1995.

Ms Guler Sabanci, the 39-year-old general manager of Kordsa, talks of almost nothing else. "Sales and profits may be reduced but by improving our efficiency we can more than make up for it. Looking at our cost, we have done everything possible to be ready," she says from her office in the new Istanbul headquarters of this family-run conglomerate.


Guler Sabanci, general manager of the family group's Kordsa factory

Kordsa – the "SA" being the signature of all Sabanci companies – is the only tyre cord factory in Turkey, the first company to be located at Kentsa, the Sabanci industrial complex near Izmit, and the first Sabanci company to list shares on the Istanbul stock exchange.

The company has been going through a tough patch in recent years, with new investments raising financial costs. Kordsa reported pre-tax profits of TL105bn in 1993, a decline of 21 per cent in real terms. Sales were up by 63 per cent, although this was barely in line with inflation.

Ms Sabanci believes the market is undervaluing the company. Certainly, the share price has underperformed the market, increasing by 272 per cent in 1993, compared with a rise of more than 400 per cent for the index as a whole. In the first quarter this year, Kordsa has fallen by 57 per cent, again rather worse than the rest of the market.

The main problem has been heavy borrowing expenses, which accounted for 12 per cent of costs. There was also a cash squeeze early in 1993, related to payment arrears on business with Iran, which forced the company to make short-term bank borrowings.

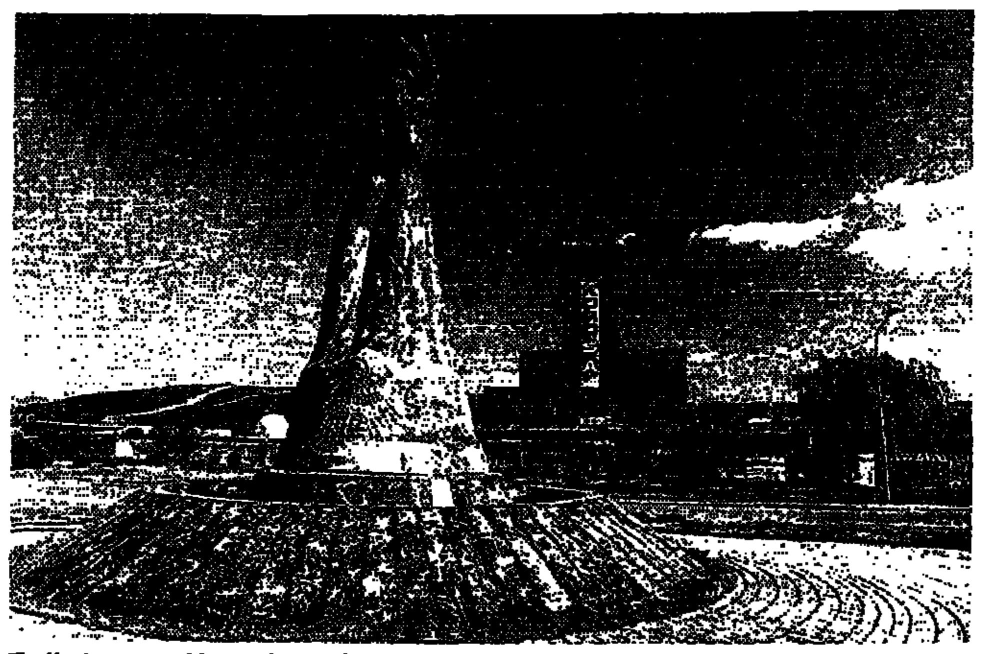
**A downturn is likely, but the long-term picture looks robust**

The company, like others dependent on the health of the car sector, is likely to be hard hit by the downturn in automotive demand in Turkey's current economic slowdown. However, brokers believe the long-term picture looks fairly robust, with the company enjoying an apparently impregnable position in the domestic market and a growing presence as an international supplier.

Kordsa is a 100 per cent Turkish company, unlike the other companies on the site – Brisa, a tyre joint venture with Bridgestone of Japan; Dusa, a polyester link-up with Du Pont of the US; and the most recent arrival Beksa, a steel cord collaboration with the Belgian steel cord maker Bekaert.

The Sabanci group is in good company – both Pirelli and Goodyear are located nearby. Uniroyal, which used to have a link with Sabanci's industrial rivals, the Koç family, has since pulled out of Turkey.

Starting with technology provided under a licensing agreement with Goodyear, Kordsa has now developed home-grown technology for a wide range of processes. Indeed, Kordsa is selling know-how under a joint venture agreement with the Egyptians called the Nile Kordsa company. The Sabanci group's 40 per cent equity stake represents the machinery, supplied to the Egyptian venture which started production in 1993. "It's Kordsa technology, both the process and product technology," explains Ms Sabanci.


The Kordsa tyre cord factory, just outside Izmit on Marmara's northern shore

Kordsa now produces 24,000 tonnes of tyre cord a year, as well as a number of other industrial fabrics including conveyor belt liners. The company uses a variety of suppliers apart from Dusa, including Allied Chemical and Hoechst.

"We are operationally quite independent," insists Ms Sabanci when asked about the allegations of transfer pricing with the other group companies. "Each makes its own five-year plan. We're independent and self-sustaining. However, we're never alone."

The vertical integration of related production facilities is a vital part of the Sabanci business strategy. Kordsa has a captive market in Brisa's tyre production. Equally, the more recent investment in the Du Pont joint venture provides the group with a reliability of supply in what is a fairly specialised market. On the surface, the arrangement is not that cosy. As Ms Sabanci explains:


Besides tyre cord, Kordsa now produces industrial fabrics, including conveyor belt liners

"For example, we sell to Goodyear, Brisa's biggest competitor." But as she is the first to admit, "we need to protect Kordsa. We have to have a reliable supply with a reliable cost."

Kordsa's cost-cutting programme is now in its third year. Company officials estimate it has reduced costs by 25 per cent, shrinking the workforce, introducing new machinery such as the new German-built yarn twisting machine and improved team work, saving scrap material.

Like many Turkish companies, Kordsa was spoilt by the low cost labour environment enjoyed in the 1980s. "We were too relaxed," Ms Sabanci concedes. With such high domestic borrowing costs, companies were forced to become over-capitalised.

**Vertical integration of production facilities is a vital part of the business strategy**

Ultimately, Kordsa's real strength lies in its export potential. Despite the collapse of the Soviet market, where the company enjoyed a growing presence, Kordsa expects to increase its export share this year, with more than half of the production now destined for overseas markets.

A large slice of that will go to Iran. Mr Azizoglu estimates that 30 per cent of Kordsa's exports are for that market, although trade continues to be disrupted by Tehran's recent payments crisis, resulting in some stock build-up at the plant.

However, he is realistic about being able to make up for the loss of the local demand. "We think we can compensate for some portion, but to cover it all, that's impossible."

■ THE REGION'S ATTRACTIONS

# Thermal baths and grass skiing

**You can no longer swim in many parts of the Marmara. Indeed, the Union of Marmara Municipalities even produces a map designating which areas are safe – and they are rapidly shrinking in number. But there are other attractions in the region:**

## Bursa

**Once one of Turkey's grandest cities, Bursa has suffered slightly from the pace of development. Nonetheless, you can wash off the grime of the city in one of the thermal baths. The best is the well-preserved Ottoman "hamam" in the Kervansaray Thermal Hotel, where for less than $5, you can soak in a marble pool and have a massage. There is even an outside pool fed from the same spring, with water at a pleasantly tepid 32 degrees.**

## Gallipoli

**The Commonwealth and Turkish war graves in the Dardanelles peninsula remain a popular destination, particularly for Australian and British tourists. The graves are wonderfully tended by a young Australian botanist, Mr Jeffrey Mish and his Turkish wife. "We try to plant a combination of local flora and also flowers associated with the countries who lost men here," he says.**

## Iznik

**A sleepy town now, this ancient centre was the site of the Council of 325 which has set the ground rules and was a landmark in western ecclesiastical history. Iznik is also famous for its tiles.**

## Uludag

**The slopes of Mount Olympus, or as the Turks call it, the great mountain of Uludag, attract an increasingly international set of ski fanatics. Mr Erdem Saker, the new Bursa mayor, is a keen ski enthusiast and represents Turkey on the grass ski committee of the FIS, the international ski federation. Bursa hosted the world grass ski championships in 1991.**

## The Bears of Bursa

**No, this is not an American football team, but a project co-ordinated by the local university veterinary faculty to create a sanctuary for the Ursus Arctos, the dancing brown bear, once all too familiar to tourists on the streets of Turkish cities. The scheme is being aided by experts from the London-based World Society for the Protection of Animals (WSPA). The project managers are currently looking after 19 bears, all of whom were rescued from the streets and their gypsy minders. Now the bears are being trained to recognise electric fencing before being sent to the newly constructed 25-acre sanctuary at Karacabey, near Bursa.**

## Other curiosities

**Constantine died near the Ankara road, although there is little to mark the spot today. Hannibal, the Carthaginian general, committed suicide near Iznik.**

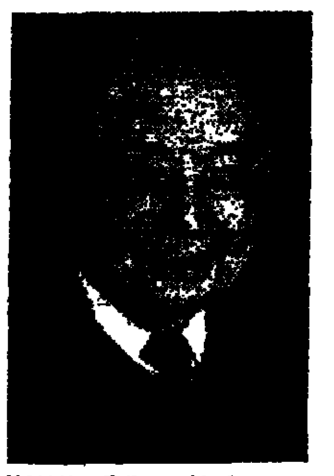
■ PROCESSED TOMATOES

# A canny move by Koç

Beating the Italians at football – well, Turks can only dream of that. Beating them in the production of peeled tomatoes, however, is a much more realistic prospect. That, at least, is the prediction of one Turkish company – Tat Konserve Sanayii – which believes that Turkey could one day supplant Italy as Europe's best known tinned tomato producer.

Tat, despite its slightly unfortunate name, is the shining light in Turkey's processed foods firmament, a market leader in tomato paste manufacturing and trading and one of the most dynamic companies in the Marmara region.

Turkish food concerns are proving some of the most attractive equity investments for foreign institutions. Apart from natural advantages such as soil and climate, Turkey is seen to enjoy relatively cheap labour, a large and growing consumer market and good export potential. Tat leads the pack.


Vehbi Koç, Tat's president: inspired by visit to Israel

Floating a 10 per cent stake on the Istanbul exchange last year, Tat's shares have advanced by leaps and bounds and now stand at almost six times the issue price – and this against a background where many stocks have faltered in the wake of the currency collapse. Analysts say the company appears to be relatively sheltered from the impact of Turkey's economic crisis. "It hasn't yet shown its face in our industry," says Mr Ahmet Toygar, the deputy general manager. "The farmers planted their seeds long ago, and now they're harvesting the produce."

What the farmers planted last autumn, the company is now selling as a processed product. With as much as 70 per cent of production now destined for export, the company is earning handsome profits. Global Securities, one of Istanbul's biggest broking houses, forecasts earnings could rise to TL850bn in 1994 from TL109bn last year – a phenomenal growth rate given the contraction of many economic sectors in the wake of the lira crisis and the austerity measures instituted by the government.

Things are even said to be looking up at the frozen products arm where the company has been suffering from growing inventory costs, with some reports that the factories were refusing to take fruit and vegetables from suppliers. Brokers say the market anticipates a sharp improvement in performance if Tat is successful in its bid for Sek, the government-owned dairy concern.

Sek has a distribution network delivering daily to some 35,000 grocery stores, which Tat can use to expand the market for its own range of products. However, after submitting a bid of TL520bn for the Istanbul-based dairy a couple of months ago, the company is still awaiting a decision from the government in the wake of union objections that the state-owned enterprise was being sold off too cheaply.

Tat is the brainchild of Mr Vehbi Koç, Turkey's best-known industrialist, the founder and at 93 the honorary president of this eponymous Turkish conglomerate. Mr Koç is said to have first developed the idea for Tat after a visit to the citrus groves of Israel in the 1950s. A decade later, with some help from a Mr Fuller of Heinz – remembered by one company official simply as "Mr Tomato" – Tat was launched.

The company has three factories, processing about 7,000 tonnes of raw vegetable a day. The plants include the one at Mustafakemalpasa in the farm belt near Bursa – the original investment. Tat then acquired the Karacabey factory, in partnership with Oyak, the army's pension fund. In 1989, Koç swapped its Aymar vegetable oils company for Unilever's Dosan plant near Iznik. Tat is today considering a new investment at Balikesir which, being further south, will allow the company to diversify its production cycle and thus improve plant utility rates.

The company's success derives from a number of factors – the backing of a strong Turkish parent which brings a good domestic franchise; an equity link-up with a major international buyer offering access to one of the fastest growing world markets; and an approach to manufacturing which gives the company control of the product from seed quality to the tomato delivered to the factory.

**Unlike in California, the world's most concentrated production area, the mechanisation level is fairly modest, which is said to result in better quality fruit**

Mr Toygar says the company has one other key advantage over its rivals – its hands-on relationship with the farmers. Unlike in California, the world's most concentrated tomato production area, the level of mechanisation remains fairly modest, which Mr Toygar says results in better quality and colour of the fruit. The farmers, all of them smallholders, are contracted to Tat, and provided with seeds fertiliser and most important, finance. "Everyone of our farmers has his own computer number," says Mr Umit Güvenç, the sales manager, with pride.

Rivals commend Tat's management approach, pointing out that "the factory boss is quite likely to find himself raised to the group production manager," as one Istanbul fruit company executive put it.

The input is not all home-grown, however. Tat now uses a processing technology called reverse osmosis, which was first developed by the US Pacific fleet during the second world war to extract salt from sea water. "It's very near to the fresh flavour," says Mr Toygar. Traditionally tomato processors used an evaporation technique. The main advantage of reverse osmosis is that the enzymes and vitamins remain in the fruit and are not burnt away as they were under the traditional evaporation technique for processing tomatoes.

The decision to link with Kagome – which controls over half the Japanese tomato paste market – gave Tat its big break. Tat has an exclusive arrangement and is Kagome's largest supplier. Tat has even persuaded its Japanese partner to relocate part of its Italian peeled tomato facilities to Turkey – perhaps the most telling measure of Turkey's growing international reputation as a supplier.

It all started in the 1960s. In 1967, in a typically canny move, Koç sought out the government-owned sugar beet factory as a partner. Seker Fabrikasi's stake in Tat was sold only last year, as part of the government's privatisation programme. Originally a national company, Tat had a sourcing arrangement with Heinz of the UK. The company then invited the Swiss Migros group to take a 3 per cent stake in 1977, which was later sold in the wake of prime minister Bulent Ecevit's anti-foreign investment drive.

In 1987, the company sold a 7 per cent stake to Kagome, a well-established foods group famous in Japan for introducing (the now ubiquitous) Worcester sauce. When in 1992, the state-owned Sugar Beet Factories sold its 8 per cent share, the Japanese – Kagome and Sumitomo – increased their collective stake to around 15 per cent.

Today, apart from its branded products which are sold in the wholesale market in Japan, Tat's main customers are the big food groups. "We're supplying Nestlé in Malaysia and Unilever in Brazil. We don't sell to the trade," says Mr Toygar.

After the US and Italy, Turkey is now the third largest producer of tomato paste. Tat controls 35 per cent of the domestic market. The company reported exports of TL393bn in 1993 – about $30m at the prevailing exchange rate. Its main market is Japan, but Tat also sells to North Africa and Middle East and despite quotas on tomato paste and peeled tomatoes enjoys quite big sales to some EU countries. Mr Toygar believes with the lifting of quotas, Turkey's share of the EU market could increase tenfold.

Now is perhaps the time to invest. After the initial public offering last August at TL7,500, Tat trades at around TL42,000. And as one broker enthused: "Foreigners are now buying and they're buying to keep."

Industrialists are calling for more infrastructure projects in the region

# Gemport blazes a trail

As you enter Turkey's first privately run port, the potholes *on the roads* suddenly disappear. Even the noxious orange fumes from the nearby state-run fertiliser plant seem part of another world.

For Gemlik Port and Warehousing Administration – or Gemport – with its modern infrastructure, *smartly painted* loading bays and contract labour force, is a good example of the efficiency gains to be made where private sector initiative takes over in an area traditionally monopolised by the state.

*Privately owned by* Mr Mohamar Agim, a local textile manufacturer, the port is managed and run by Capt Ziya Alkan, a former head of the state-run ports authority, who was pulled out of retirement to do the job.

Gemport in *many ways* typifies the developments now sweeping through the Marmara region, as private sector developers who have a direct stake in seeing the area sustain its impressive growth rate take the initiative.

*For the local authorities*, deprived of funds, are no longer able to meet the needs of local industry. *Tofaş*, the Fiat car subsidiary in Bursa, has installed its own water treatment plant and may now invest in its own dual-fired power unit *to ensure supplies* to its factory. The Sabanci group's Kordsa tyre cord facility at Izmit is looking at a similar proposal.

Drive to the area from Istanbul and the challenges are not hard to see. The journey to Bursa takes at least 2½ hours on badly maintained roads, choked with heavy goods traffic, and includes a 45-minute ferry crossing. The *journey to* Izmit is less onerous, making use of the Ankara motorway. However the real problems are apparent when you arrive in the city, a place of subterranean gloom, with petrochemical factories belching forth, and a paper pulp plant right in the heart of the town centre.

"All the pollution you can imagine: we have it here," says Mr Yuksel Başer, head of the Izmit chamber of commerce. "Fifty years ago, if we had a new factory everyone was celebrating. Today we would be happy to see some of the business move away to an industrial zone where you can control it."

For the Marmara is a *regional trading* hub, a choke point on the main axis between Turkey and Europe, intersected by the principal supply arteries, such as the gas pipeline from Russia, the trans-European highway and the shipping routes from the Mediterranean to the Black Sea and the newly independent countries of the former Soviet Union.

**It is a choke point on the main axis between Turkey and Europe**

The Gemport facility is now Turkey's fourth largest container handler – after Hydarpasa in Istanbul, Izmir and *Mersin*, Turkey's main transit port – and handles a variety of cargo from steel and steel scrap to cars and timber and coal.

Gemport is in direct competition with the state-run ports at Bandirma and Izmit to supply the *fast-growing* industrial area around Bursa, home to the Turkish textile and car industries.

Currently, activity in the complex is running at reduced levels because of the economic downturn affecting Turkey. *Last year, bananas from Ecuador* were one of Gemport's main import items. Today the number of banana boats has dropped dramatically as the economic crisis bites. Last year the quayside was also crowded with imported cars, as Turkey's consumer boom boosted the imports of European and Asian autos. Today the only item which is visible is the black coal and a vast tangled nest *of tropical timbers*.

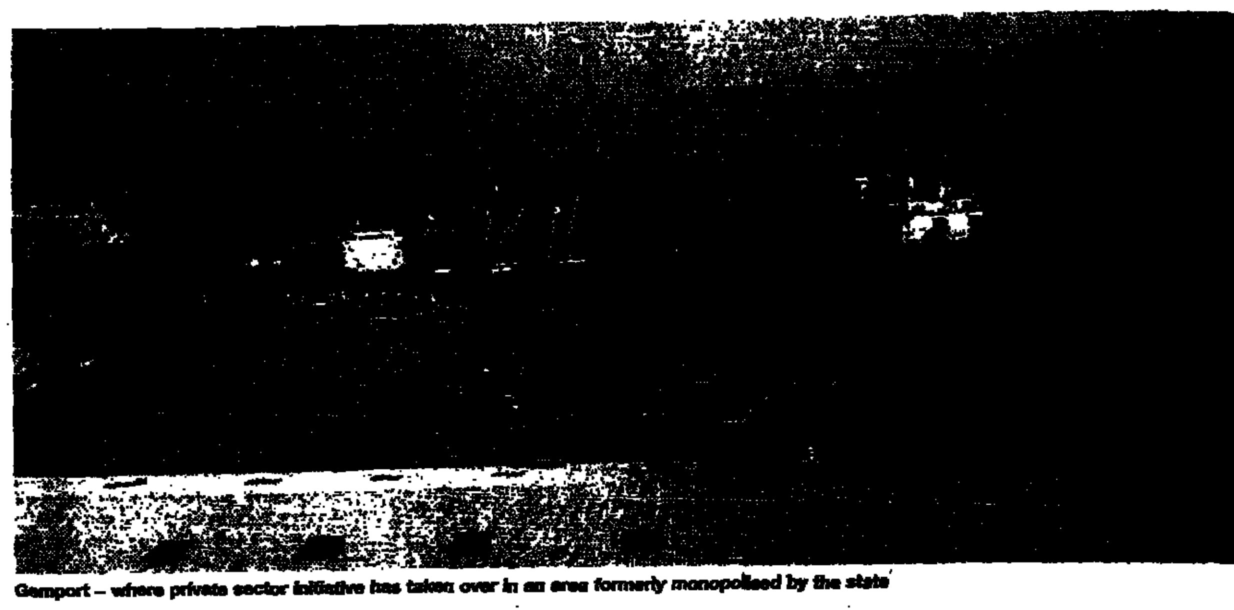
The coal, Capt Alkan explains, is a high quality South African product which the Bursa municipality is using to fuel industrial and residential housing. Even coal could soon be a thing of the past as the region, like many others in Turkey, converts to gas, supplied by the pipeline which is now linking Turkey with fields in Russia.

The general economic slowdown, particularly the drop in the volume of imports resulting from the economic squeeze, will *certainly affect the tonnages* that Gemport and other ports handle in 1994. Many of the local industries, however, hope to boost their exports this year. At the nearby Tofaş car plant – a joint venture between Fiat and the local Koç Holding – *Mr Jan Nahum*, the general manager, proudly points to the crates of CKDs (completely knocked down car assembly kits) all ready and packaged for delivery to Egypt, and other destinations via the Gemlik terminal.

*Much will, of course, depend* on an early resolution of the crisis, but many local industrialists believe top priority should be given to infrastructure projects in the Marmara region. The projects include:

- A new gas terminal at Tekirdag, *taking liquefied natural* gas from Sonatrach, the Algerian state-run company, commissioned by Botas, the state-run pipeline company last *month*.
- The next spur of the intercity gas pipeline which is already supplying Bursa is also being constructed by Botas.
- A $700m water supply and dam project at Izmit, in which Gama, one of Turkey's best *known contractors, is* linked with Thames Water in a project part-financed by Japanese funds. It is one of two deals which Gama hopes to clinch by using the Build Operate and Transfer method of private financing, in which a private *developer runs the plant for a* concession period, taking financial and other risks before eventually handing it over to the state or government utility.
- A dual-fired gas power station which Gama hopes to construct with the UK engineering group Enron, at Marmaraeregli, near Tekirdag, is the other project. This has been master-*minded* by the John Wing Group, one of the world's leading private power developers.
- A crossing of Izmit Bay from Gebze to Orhanghazi is planned. A design project was awarded in December to Canada's Delcan group and the local Dap consultants. The bridge would have a 3.5km span and incorporate a large 2-3km viaducts on each side.
- Bursa city municipality has a number of projects, including a water *supply and* sewerage contract under a $117m loan from the World Bank. The first phase of the city's gas conversion project is under way with around 90,000 homes or almost half the city's population to be linked up by the end of 1994. British Gas and other contractors await the municipality's decision to tender for the second phase. The city authorities announced in early June the cancellation of the planned Metro project, which was estimated to have cost around $400m, after warnings from the Treasury in Ankara to limit new foreign borrowings.

There is even talk of a bridge to span the Dardanelles near Cannakale in a bid to divert some of the traffic now transiting Turkey for destinations in the Middle East and which currently creates such congestion around the Istanbul peninsula.



Gemport – where private sector initiative has taken over in an area formerly *monopolised by the state*

Reduced shifts and lay-offs at Tofaş spotlight the problems of the industry

# Why the car factory is at a standstill

It was the only sign of life – a security guard in uniform and peaked hat, pedalling his bicycle around the factory floor, like a character out of a silent movie.

Normally, the plant would have been drowned by the hum of machinery, but today Turkey's car industry is entombed in silence, at a virtual standstill, perhaps the most conspicuous casualty of the current economic crisis.

*The scene at one of* the car plants in Bursa is today almost commonplace throughout the industry, as managers are forced to send workers home and the economic downturn takes its toll.

It's not all misery, says Mr *Jan Nahum, general manager* of Tofaş, a joint venture between Fiat of Italy and the local Koç group. He believes the car market can bounce back if the government adopts a more accommodating attitude. Last year's sales figures, he concedes, were a little abnormal – *abnormally good*. However, he believes the market is still barely penetrated, the road network is being extended every year and the long-run picture for a country of Turkey's size must be positive for a car producer.

Nonetheless, the slowdown could hardly have come *at a* more awkward time. Turkey is preparing to enter a customs union in 1995 and the auto sector in particular has been *striving to get* ready for the loss of protection once tariff barriers come down.

The issue is of national importance, not just for the number of workers whose jobs could be threatened if a precipitate rush to freer trade *results in loss of market share* for the domestic car producers. The car industry, with the two main industrial families – the Koçs and Sabancis – now involved, represents a powerful lobby. *According to* Prof Ercan Tezer of the Automobile Manufacturers Association (OSD), the private sector umbrella group, the industry invested around $1bn last year to upgrade plant, increase *capacity, make progress in* automation and efficiency and launch new models.

Bursa, more than any other city in Turkey, is dependent on *the car industry – with the* country's two largest producers – local subsidiaries of Fiat and Renault – located there. Together with the components industries, Mr Erdem Saker, the Bursa mayor, estimates the car sector accounts for around *50,000* jobs.

The crisis is nowhere more dramatically illustrated than at Tofaş, which has been on reduced shifts since the begin*ning of the year*, and *on June 1* was forced to terminate the contracts of 2,400 workers, around a quarter of its labour force.

Tofaş *says its* management had looked at all other options. Workers had had their annual *holiday* brought forward. Almost 800 jobs had been lost through natural attrition – early retirement and military service, while *temporary work contracts* were not renewed.

It was a double blow for the company. In February, after the government decided to make an international offering of its 21 per cent stake in the car company, Tofaş was forced to open its books to the sort of audit scrutiny which would make most Turkish executives uncomfortable.

Tofaş has since seen its *American Depository Receipts* (ADRs) lose up to half their value and, at home, its market has been devastated as the car sector became the most visible victim of the crisis. International investors who subscribed to the issue, on the advice of *J Henry Schroder Wagg* and the US bank Lehman Bros, must be wondering whether they made the right decision.

The switch *in fortunes* has certainly been dramatic. "You should never see a factory like this," says Mr Franco Grimme, who has been plant manager for nine years, surveying a empty shopfloor where the machinery and jigs are caught in *suspended animation* during one of the company's recent shutdowns.

Last year, production by contrast, was in a state of almost perpetual motion, with three eight-hour shifts – Tofaş even worked on the August *Independence Day*.

Inside the Tofaş factory – a joint venture between Fiat of Italy and the local Koç group – in Bursa

In 1993, on the back of a general consumer boom in Turkey, car demand grew by 30 per cent. Tofaş produced almost 200,000 units, with 40 per cent of its sales financed by consumer credit. Local pro*ducers were unable to meet* the demand, leading to a surge in imported vehicles, with around 100,000 vehicles shipped to Turkey, according *to industry estimates* – mainly Skodas from the Czech Republic and Russian Ladas.

International investors who subscribed to the Tofaş issue in February must be *wondering whether* they made the right decision

*Today, however, the picture* has changed. Mr Nahum predicts that total car sales in 1994 will be around 250,000, including imports, compared with over 350,000 last year. In December, for example, the company's output was 774 cars *a day in three shifts. Last* month the number was 450, much the same volume that the company produced in 1991.

"We'll be doing well if we can return to last year's levels by 1996," says Mr Nahum, whose father Bernard helped *establish the Koç car empire* in the 1950s. "But we believe we can keep our market share."

This, it seems, is now the bottom line for the car companies. It explains why even in a deep sales trough, the market *has seen the launch of new* models. Toyota, with which the Sabanci group is in partnership, is speeding up plans to put its first locally manu*factured* Corolla *on* the road later this year. Renault's local joint venture, in which the French company is in collaboration with Oyak, the armed forces pension fund, has just launched its R19. "Everyone is preoccupied with launches to prevent sales *shifting to the* competition," says Mr Nahum.

There have also been moves to increase production inside the factory by reducing the *outsourcing of components*. In a normal year this exercise helps to reduce costs and take advantage of economies of scale.

Today, however, the management's main concern is to look after its immediate work*force. The fuel* tank construction which Tofaş was to subcontract to an outside producer is now being made on site – all part of the official effort to maximise job hours in these straitened times.

Nonetheless, some of the *investments which would have* gone ahead have been put on hold. Also, many of the investments which *have* been made to introduce new lines are underutilised as a result of the slowdown. "This will remain idle and empty and waiting for *an upsurge in demand*," laments Mr Nahum, as the company visit reaches one of the new production facilities.

Overhanging the industry is concern about the customs union, which, barring upsets, should be in place in 1995. A report by McKinsey's, the US consultants – which the car industry commissioned – suggests that the local manufacturers need an additional five years to be ready for *the* import competition.

Senior car executives have been in discussions with the government on possible tax breaks *in a bid to help reduce* costs and boost sales. But with the bureaucrats in Ankara also suffering from the absence of air conditioning and other indignities inflicted by the austerity programme, there is little sympathy for their cause.

"We are only now at a critical mass to be able to compete," says Mr Nahum. His prediction is simple enough. "If the Turkish car industry has problems, the Turkish economy will continue to have problems."

Profile of the country's leading processed seafood manufacturer

# Tuna from a distant ocean

It's the shoes *that* give him away. *Most* Turkish executives would not be seen dead in a pair of brown loafers in an office in the heart of Istanbul. But then Mr Haluk Arpad of Onen Sirketler Grubu is different from other businessmen. And as general manager of Turkey's leading processed seafood manufacturer, he probably feels *more comfortable dressed as a seadog* than a city slicker.

The company, based in Çanakkale on the *Asian* side of the *Dardanelles*, is Turkey's largest producer of canned tuna. It hopes for a stock exchange listing later this summer, under the name of Dardanel, its most famous brand.

Audited figures are not available, *but* the company is estimated to have turned over $51m in 1993, more than double the *sales* of two years before. *The* company is the first entrant to the canned tuna market, and has an established brand name. Domestic markets for the product remain fairly immature, while the export opportunities seem vast. In *addition* the company has invested in state-of-the-art technology – the main reason for the flotation of what could be as much as a 20 per cent stake.

All this may be a little *surprising. For* the tuna is not actually caught in the Dardanelles, which with the pollution of the Marmara Sea is not one of the region's cleanest stretches of water. The tuna is bought from Spanish and French deep sea fleets fishing the Indian Ocean.

Mr Arpad makes a point of buying what *is called EU origin fish* – essential if the product wants to hit supermarket shelves in Europe, where the group makes 40 per cent of its total sales.

The company is in many ways a pointer to the future. In contrast to the region's heavy industry, the Onen group represents the sort of medium-scale, labour-intensive *industry which many analysts* believe will be the big winners when Turkey eventually opens its markets and finds its real comparative advantage. "There is no machine in the world that can clean a fish," says Mr Arpad, pointing out the line of operators, most of them women, busily reducing massive chunks of tuna to the perfectly shaped fish wedges with which most consumers are more familiar.

**It is a labour-intensive industry. "There is no machine in the world that can clean a fish"**

*Location is important*. The company has its own loading pier near the factory. There is also the advantage of low wage costs, which Mr Arpad estimates are probably a tenth of European levels. The work*ers he employs* are paid on a premium basis, an incentive system which would probably not be allowed if the industry were unionised – another important commercial advantage.

The *company was started in 1983. It* concentrated on frozen produce: shrimps for the Spanish market and baby clams and mussels *for Italian* buyers – all the seafood coming from local waters.

While canned tuna is a relatively new line, the company has been exporting frozen produce for more than a decade and has good contacts with European traders.

In 1994 the company expects its exports to be worth $35m, 65 per cent of which will be from the canned tuna factory. "The European Union is a very big market," says Mr Arpad. "There's no quota and no import duty."

Unlike other processed food products such as tomatoes, seafood products do not suffer from EU quotas. Indeed, the company is selling canned tuna to France, *Italy, Germany* and the UK – *it is selling* under its own brand name to the French.

A labelled product, which is canned with olive rather than vegetable oil and carries the words "prodotto en Turchia" is now sold in Italy. Mr Arpad *says penetrating* the Italian market with own brands is all but impossible. In Germany and the UK, the company varies the strategy *again*, adding brine to the fish. The Germans, Mr Arpad says, tend to concentrate on price, not so much on quality. "For that reason we prefer to sell there using their brands."

The company is now negotiating with a large Italian food distributor. "In tuna we want to sell brands. Our Dardanel brand is now registered in all the European countries," says Mr Arpad. It is also registered in Turkey, although he is *less confident* about being able to protect his intellectual property in his home market.

# MANAGEMENT: THE GROWING BUSINESS

## JCB's venture offer

Whatever happened to corporate venturing, the practice of big companies making equity investments in private businesses?

It is in rude health in the US, less so in the UK, is the verdict of University of Southampton researcher Kevin McNally. But it is not as moribund in the UK as its recent absence from the limelight might suggest, he says.

Supporting this assertion last week was an unusual open offer to engineers from JCB, one of the UK's biggest private companies and maker of the ubiquitous yellow construction equipment.

Sir Anthony Bamford, JCB chairman, has invited designers, inventors and companies with under-funded engineering projects to contact his company with ideas which need backing*.

Based partly on altruistic interest in the development of a stronger manufacturing base in the UK and partly on self-interest, Sir Anthony believes many more companies have the potential to follow JCB's successful path if given an early and understanding leg up.

He is coy about the total cash on offer. But he suggests up to £1m could be available for the right projects.

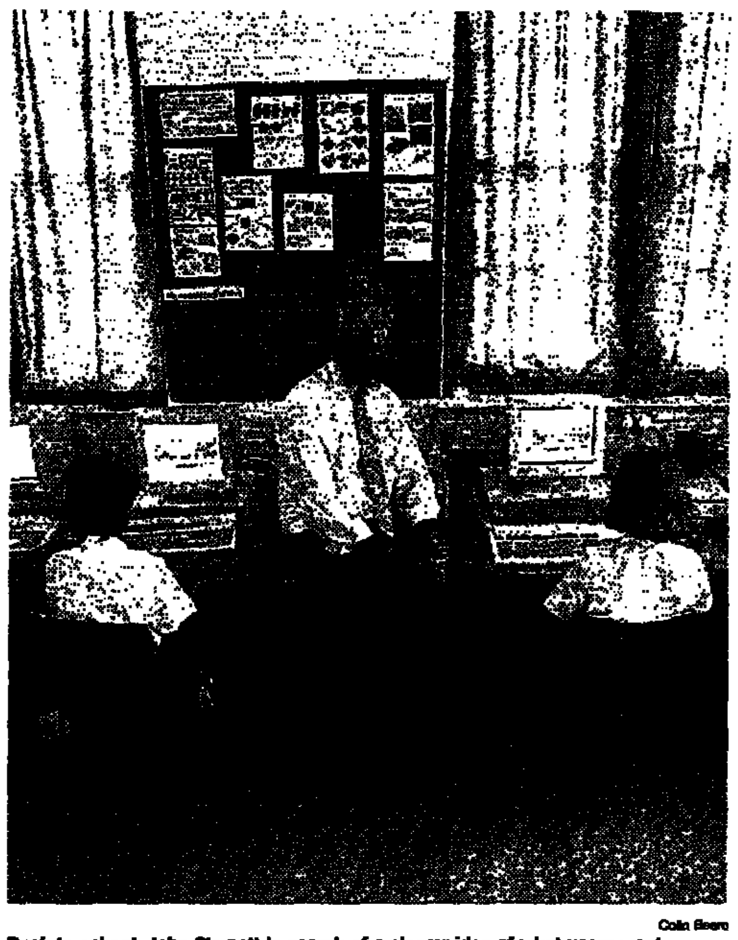
JCB, he says, is not looking for a quick return. It would also lend the services either of an executive director or a nucleus of recently retired directors to pass on JCB experience.

JCB's move appears to be going against the trend towards concentration on core businesses that has so far marked the 1990s. Indeed, several companies, notably BP and Hillsdown, have closed their corporate venturing arms in recent years. But there is a sign of renewed interest, McNally says, particularly from some UK utilities seeking to diversify.

However, past experience suggests converting that interest into a cheque may yet be a hard struggle.

**RG**

* *Sir Anthony Bamford, JCB, Rocester, Staffordshire, ST14 5JP*



Colin Beere

Back to school: John Simnett in search of a clearer idea of what users want

## Know your customer

### Manufacturer Cumana nearly learnt the hard way about the dangers of guesswork, writes **Richard Gourlay**

By rights Cumana, a maker of floppy disc drives for the BBC Acorn microcomputer, should not have survived the 1980s. Rarely since slide rules were swept aside by pocket calculators has technological change dealt such a sudden blow to a company's fortunes.

Sales of Cumana's biggest-selling and most profitable product fell by about two thirds in 1991 as demand for the Acorn microcomputers requiring floppy disc drives fell sharply.

Toy and fashion designers may be used to handling such violent swings in demand. But how do manufacturing companies survive such a sudden loss of market, particularly if they lack the resources to back a risky change of direction? And how can companies anticipate and avoid some of the pitfalls?

Cumana's fall followed a decade in which the BBC Acorn had been one of the more successful early mass market computers. Launched in the early 1980s, the Acorn quickly took off in primary and secondary schools, where it was ideal for the rigours of the classroom.

Guildford-based Cumana designed and built peripheral disc drives and became a near-monopoly supplier. It was a small company in the right place at the right time.

Even after Acorn collapsed in the mid-1980s and was rescued by Olivetti of Italy, sales of its microcomputers remained firm. Cumana saw that its dependence on Acorn made it vulnerable but it continued to enjoy healthy margins.

Then, processor technology changed quickly. The old 8-bit technology was fast replaced by 32-bit processors in computers, where typically floppy disc drives were integrated into the machine. Sales of Cumana's floppy disc drives fell dramatically.

"In round figures, sales fell from £3m of the company's £4m to less than £1m in one year," says John Simnett, Cumana's managing director who arrived in 1991. "Our customers were moving on to more recent systems that did not require our type of product – mainly the Acorn Archimedes which did not require external [floppy] disc drives."

Adding to Cumana's problems, the company had also made two unfortunate diversifications. It had tried to reduce its dependence on Acorn by making other products; first there were drives for Atari – profitable until Atari was hit by rival Commodore – and latterly for Omega Computers, where demand was strong but margins were continuously squeezed.

However, Cumana also started developing newer technologies, such as early CD-Rom and magneto-optical disc drives. The problem was that its customers – the schools – were not interested. "Cumana's history can be summed up as going into a product too early," admits Don Bolton, the company's founder and largest shareholder who has since withdrawn from an executive role.

"The company never linked the development to customer requirements," says Simnett. "It was on a suicide path. It was building up an awful lot of stock."

While anticipating where markets are going is essential, racing too far ahead of customer needs is dangerous. It is also a common mistake, according to Liz Clarke, consultant and author of a book on change management. "There is a danger in not listening to your customers and getting over-excited with the technology," she says.

Next, Cumana moved away from its known customer base in the schools and started trying to sell CD-Rom drives to utilities and to brewers who wanted a way of updating games in their pubs. "We pushed away from traditional customers – educational budgets were constrained – and tried to get into utilities and some leisure customers, but we did it as recession took hold," says Bolton.

Cumana's rehabilitation since Simnett's arrival has been partly successful. Sales have recovered to £4.7m, two manufacturing sites have been combined and the company is working closer than ever with Acorn.

The transition to a new product line required some radical surgery. The first thing Simnett did was write off nearly £500,000 of stock that was obsolete or not wanted by customers. He then had to deal with the bank, which had extended facilities of £650,000. Almost overnight the bank saw the balance sheet slashed to nothing as the stock was written off, at the same time as the main market was collapsing and the company was still groping for a new direction.

Ten percentage points disappeared from gross margins in Simnett's first year as the company cranked up production of Omega disc drives to keep the skeleton workforce employed. And, not surprisingly, Simnett and Bolton had to put up personal guarantees and cash to support the company's banking facilities.

Simnett then gathered most of the remaining staff together in a room with flip charts to brainstorm how the company could go forward. After considering pursuing interactive video, magneto-optical drives, karaoke drives, and even general distribution, Cumana decided to focus on the handling of stored data through CD-Rom technology.

It also determined to get back in touch with its customers. Distributors were dropped, which not only improved margins but just as importantly helped Cumana gain a clearer idea of what customers wanted. "Guessing where the market is going is one thing we have tried to avoid like the plague," says Simnett.

The strategy had an early payoff when Cumana won part of a £500,000 government contract to supply CD-Rom drives to primary schools. "It was the first contract defining who the players were going to be. There was Toshiba, Sony, Hitachi and little Cumana," Simnett says.

The company is not entirely off the hook. It remains highly dependent on one customer, Acorn, and one product, the CD-Rom drive. While it is developing a networked multimedia product and hopes to do OEM manufacture, the fact remains that it could be significantly damaged if Acorn were to decide to fit its own CD-Rom drives.

But Simnett feels Cumana is now better equipped to avoid past mistakes. The company will now embark on product development only on the back of orders from a known customer, he says. And any technological development has to be firmly backed by demand from an existing market rather than based on their estimates of what the market might one day become.

### **Richard Gourlay** looks at two extreme examples of outsourcing

## Leave it to the other guy

Behind the World Cup competition in the US lies an unusual organisation. Using a dazzling array of computers, it provides adminsistrative and information support for all aspects of the games through network links between the 12 football grounds.

This organisation did not exist before the games and will be disbanded after the winners' victory parade. While the competition is in full flow, however, World Cup USA 1994 is the ultimate virtual company from which all functions are contracted out to specialists.

Meanwhile, as of yesterday, London has its own virtual company, in the form of the Parking Committee for London. The body takes over responsibility for parking enforcement on behalf of London's 33 local boroughs from the Metropolitan Police and traffic wardens.

Both World Cup USA 1994 and the Parking Committee are extreme examples of outsourcing – the sub-contracting by companies of non-core activities to outsiders – that is being adopted by businesses of all sizes. International Business Machines says the market for outsourcing is worth £7bn a year in the UK.

There is clearly an opportunity for companies – often small ones – that take over other businesses' chores. But smaller companies also have an opportunity to outsource some of their own back-office functions.

"The question is: do you want to do a certain function yourself or is it a non-value adding activity that you want to buy as cheaply as possible," says John Goble, financial administration business manager for IBM UK, which has just launched two companies to tap the outsourcing market. "The question applies to a 20-person company as much as to a 20,000-person company but there is a reluctance in smaller companies to approach people like us."

Ultimately, the theory goes, companies will perform only those functions where they add greatest value. Goble says IBM could consider taking over functions as varied as customer order taking, distribution, invoicing, and the management of car fleets and payroll.

The World Cup USA 1994 organisation is a particularly hi-tech example of outsourcing; a network of Sun Microsystem computers is linked by Sprint fibre optics and co-ordinated by EDS, the computer services company owned by General Motors. But the Parking Committee for London is outsourcing not only its IT needs but also more mundane tasks.

Although the organisation expects to process £200m worth of fines and charges a year, Nick Lester, the chief executive, decided that he only needs a handful of staff – chief executive, finance director, appeals adjudicator, a public relations co-ordinator and a skeleton support staff. EDS, which won the Parking Committee for London contract, will do the rest.

The contract itself was relatively novel. EDS was simply told what the Parking Committee wanted and asked to provide everything to make that service possible. "The contract with EDS was based entirely on a performance specification," says Lester. "We said don't supply us with bits of hardware that will do this and that but provide us with the service."

The specified tasks include telephone reception services for drivers whose cars have been clamped or removed; administrative support for the appeal and adjudication service; a common computer link with the 33 boroughs; liaison with the Driver and Vehicle Licensing Authority and the County Court in Swansea; a clearing house system for payments; and management of the persistent offender database.

Why did London's boroughs not contract out management of the entire ticketing operation? In the first place, the Parking Committee for London is a statutory requirement of the 1991 Road Traffic Act. Also, says Lester, "We are making certain we get the policy right and make sure others do their jobs according to the policy."

# PEOPLE



## Clark's chemistry for overseas development

The Commonwealth Development Corporation, the UK's overseas development finance institution, is getting a new director of managed business, Bob Clark, 56, (right) who is retiring at the end of June from his post with ICI, where he was chief executive of ICI Explosives. He is replacing Colin Gatt, 59, who is retiring after 23 years with the CDC.

Part of the Overseas Development Administration (ODA), the CDC engages in all sorts of project financing, ranging from £7.9m for an orange juice plant in northern Costa Rica, announced earlier this month, to a seed farm in Malawi.

A year ago, the CDC was given UK government approval to start operating in Vietnam. The CDC is now looking to open an office in South Africa later this year; it is likely to be the conduit for some £40m of funding to the newly-democratised South Africa over the next three years.

The CDC has been operating for 46 years, initially as the Colonial Development Corporation but in 1963 adopting 'Commonwealth' in place of 'Colonial'. It is now involved in some 240 projects in more than 50 different countries. Most of the projects are agriculturally-oriented; investments exceed £1.6bn, with 85 per cent of the projects now in the private sector.

The CDC has an enviable managerial record, for a government-backed institution; it employs fewer than 500 staff to run its worldwide projects, with annual running costs well below many other international financial institutions. Britain's Mergers and Monopolies Commission gave the CDC high marks in June 1992, for, among other things, its cost controls and cash management. Cash-generative from its

own past investments, it is currently able to invest some £200m annually in new projects; it does not any longer have 'fresh funds' from the government.

As director of managed business, Clark will be responsible for administering those operations – some 30 of the largest – in which the CDC takes a managerial role, by having a seat on the board as well as investing funds.

## TSB's Smallwood joins Makinson Cowell

Christopher Smallwood, 46, the TSB's strategic development director and Sunday Express columnist, is on the move again. He is becoming a partner in Makinson Cowell, the City investor relations firm which helped Lasmo defeat Enterprise Oil's unwelcome takeover bid last week.

Smallwood fills a slot left by John Makinson, one of the founders of the five year-old firm, who was appointed managing director of the Financial Times earlier this year. Smallwood will be one of four client partners who each look after half a dozen big companies.

Smallwood, who is also the TSB's chief economist, differs from the rest of the partners in that he does not have a stockbroking background. He started out as an Oxford academic and joined the Cabinet Office when Harold Wilson was prime minister. He then moved to the Treasury as an economics adviser, followed by two years as policy director of the now defunct Social Democratic Party, before joining BP Finance International as head of financial strategy. He was economics editor of the Sunday Times between 1986 and 1989.

When Smallwood joined the TSB five years ago it was intent on becoming a broadly-based financial services group. However, the group has reversed its acquisitive strategy and is now concentrating on just two core businesses, retail banking and insurance. Having completed his task of helping refocus the TSB's strategy Smallwood says it is time to move on.

Archie Kane, 42, director of operations at the TSB's retail bank, will take over as the TSB's head of strategic development when he leaves in September.

## Quin quits Seeboard

John Quin, the finance director of Seeboard, is to take early retirement in the autumn at the age of 54. An announcement yesterday said this was "by mutual agreement".

Quin joined Seeboard five years ago from Emap, where he was group finance director. In that time he helped usher the electricity company through privatisation and the big shake-out that followed. Seeboard has been one of the most aggressive of the regional electricity companies in tackling costs and this is now paying off in rising profits.

Headhunters have been called into find a successor for Quin, who will retain his current responsibilities until then.

■ Lyndsey Posner, 40, has been appointed managing director of Chrysalis Film Productions Ltd, a subsidiary of Chrysalis Visual Entertainment.Posner is a former executive vice president, worldwide business affairs, at Columbia Pictures. Prior to this latest post she worked as a partner at the London law firm Simon Olswang & Co. She remains a consultant to the firm.

## Harwood leaves UBS

Len Harwood has resigned as head of debt capital markets at UBS in London, a post he had held since November 1991.

Simon Crisp and Tim Streeter will continue to act as joint heads of the bank's Eurobond syndicate desk.

They will now report directly to John Giannotti, head of syndicate and origination for the European region. It has not yet been decided whether to replace Harwood. UBS rose to 4th position in the league table of Eurobond arrangers compiled by Euromoney for the first half of 1994, up from 8th place a year ago. The debt capital markets unit is part of the debt and treasury division run by Richard Briance, who was hired from CS First Boston in 1991.

■ Martin Quinton-Archard has been appointed chairman of INTERCAPITAL Debt Trading; he is succeeded as md by Jim Summers, head of emerging markets at Standard Chartered Capital Markets.

■ Vincent Raimondo, formerly financial controller of Citibank's financial institutions and transaction services division, has been appointed finance director of FIDELITY BROKERAGE.

## Forbes' new homes at Carlton and Royal Insurance

Anthony Forbes, 56, who stepped down as joint senior partner of Cazenove & Co at the end of April, has started to collect his first non-executive directorships.

He has joined the board of Carlton Communications and will join Royal Insurance Holdings on August 10.

Forbes, who joined Cazenove in 1960 after Eton and the Coldstream Guards, was one of two men who ran the city's best-connected firm of stock brokers for 14 years. His colleague John Kemp-Welch, 58, takes over as chairman of the London Stock Exchange on July 14.

Kemp-Welch has already been appointed a non-executive director of Sun Alliance.

Forbes knows Carlton Communications well; Cazenove is one of the firm's brokers. He soon expects to collect another couple of non-executive directorships.

■ Alan Gormly, chief executive of Trafalgar House who takes over the chairmanship of Royal Insurance next month, has been appointed a non-executive director of Brixton Estates.

■ John Hignett, a former finance director of Glaxo who retired at the end of March, has joined the board of Alfred McAlpine.

■ Paddy Linaker, who retires as chief executive of M & G Group at the end of the month, has been appointed a non-executive director of Fisons.

## CONTRACTS & TENDERS

### REPUBLICA ARGENTINA
### THE NATIONAL EXECUTIVE POWER

THE MINISTRY OF ECONOMY AND PUBLIC WORKS AND SERVICES
THE SECRETARIAT FOR ENERGY

(YACYRETA TRANSMISSION SYSTEM SPECIAL UNIT).

**INTERNATIONAL PUBLIC CALL for BIDS**
**UESTY 2000 BIDDING CONDITIONS.**

**TRANSMISSION SYSTEM ASSOCIATED WITH YACYRETA HYDROELECTRIC POWER PLANT, SECOND TRACK**

500 kV INTERCONNECTION between
RINCON SANTA MARIA T.S. and SALTO GRANDE T.S. (AR)
and RINCON SANTA MARIA T.S. and SAN ISIDRO T.S. (POSADAS).

The National Executive Power (Secretariat for Energy) through the UESTY - Unidad Especial Sistema de Transmisión Yacyretá, as under Decree 916/94, calls for International Public Bid to award the Contract/s for Construction, Operation, and Maintenance of the Second Track of the Transmission System associated with YACYRETA HYDROELECTRIC POWER PLANT. Such a track consists of a 500 kV LEAT between RINCON SANTA MARIA TRANSFORMING STATION, in the Province of Corrientes, and SALTO GRANDE TRANSFORMING STATIONS (AR), in the Province of Entre Ríos, the enlarging of both TRANSFORMING STATION, and 500 kV LEAT between RINCON SANTA MARIA TRANSFORMING STATION, and SAN ISIDRO TRANSFORMING STATION (POSADAS), in the Province of Misiones, this line initially operating on 132 kV.

OBJECT: The object of the Bid herein called for is defined as the contracting of Construction, Operation, and Maintenance with supply of all such materials and equipment as may be necessary for the provision of works and services related to these electric pipelines whereof consideration in favour of contractor shall consist of a monthly Fixed Rate of their availability during ten (10) years, and thereafter payment for the compensation being currently applicable for provision of the electric power transmission of service.

DATE OF SUBMITTAL FOR ENVELOPES Nº 1 AND Nº 2, AND OPENING OF ENVELOPE Nº 1: September 9th, 1994 at 12.00 a.m. at UESTY Head Office.

SALE OF AND INQUIRY UPON BIDDING CONDITIONS: Unidad Especial Sistema de Transmisión Yacyretá - Secretariat for Energy, 171 Paseo Colón 9th. Floor, C.P. 1063 ( FAX - 54 - 1 - 343-3811 ) Buenos Aires, Argentina.

VALUE OF BIDDING CONDITIONS: pesos twenty thousand ($ 20,000).

HOURS FOR SALE OF AND INQUIRY UPON BIDDING CONDITIONS: From Mondays through Fridays, 11.00 a.m. - 06.00 p.m., from June 29, 1994.

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## LEGAL NOTICE

NOTICE OF CREDITORS' MEETING
UNDER SECTION 48(2) OF THE INSOLVENCY ACT 1986
EROS PRODUCTS LIMITED
Company No: 1942288
Registered in England
Principal place of Business:
3/15 Helmsley Place, London E8

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at St Andrew's House, 20 St Andrew Street, London EC4A 3AY on Friday, 15 July 1994 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than noon on Thursday, 14 July 1994, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies are not acceptable.

Date 20.6.94
T R Harris
Joint Administrative Receiver
Coopers & Lybrand, St Andrew's House,
20 St Andrew Street, London EC4A 3AY

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- 26,000 sq ft modern, vacant factory premises in Kirkby-in-Ashfield, Nottingham.
- High quality customer base, full order book and ongoing contracts.
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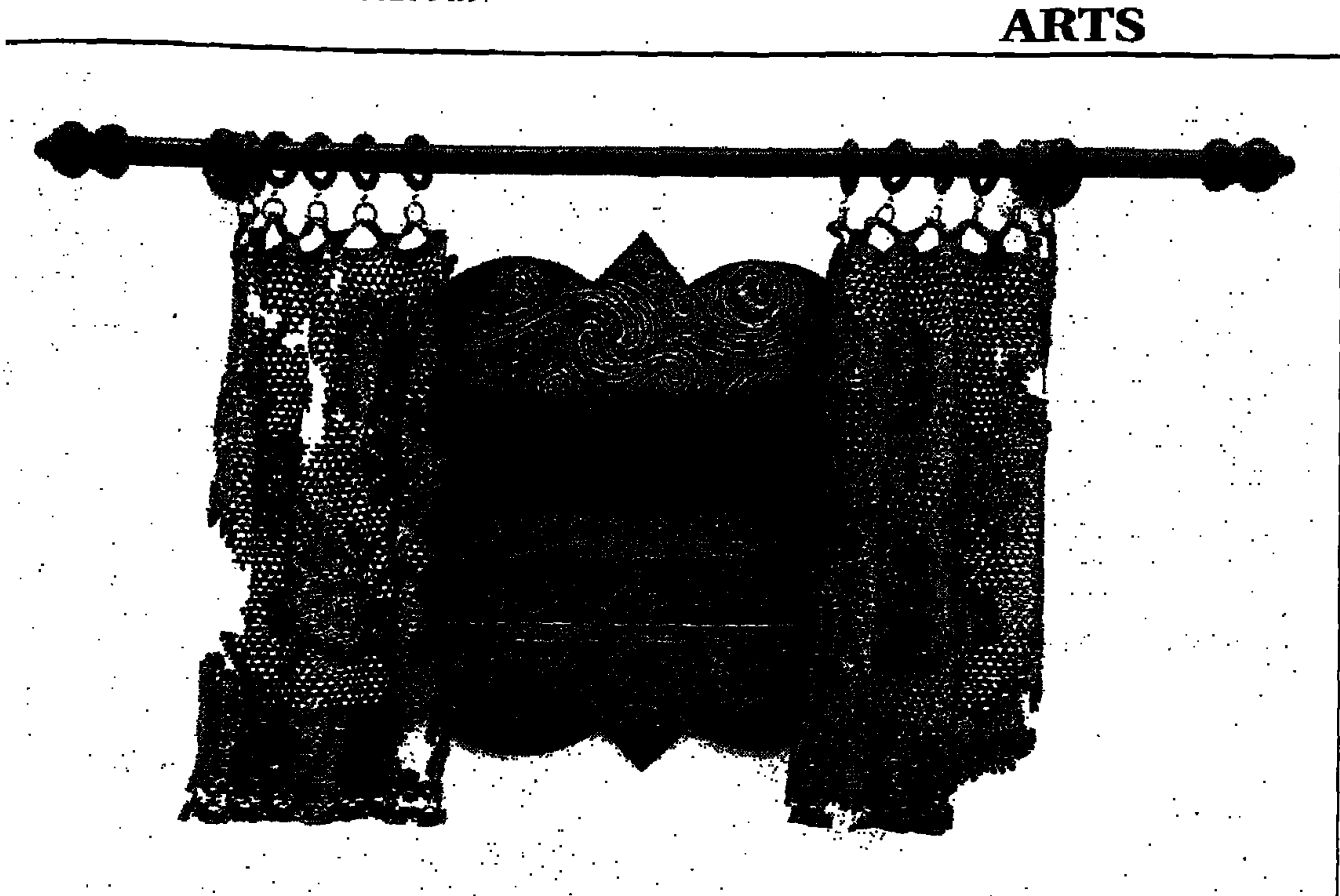

Tour-de-force of casting: Colin Painter's 'Hierarchies/Templates/Prospects/Uses' currently exhibited at the Burlington New Gallery

# Masters turn to bronze

## **William Packer** welcomes the new foundry at Wimbledon Art School

At a time of year when the students seem to take over with degree shows, it is some considerable relief to find the masters' work exhibited. But *Bronze Works*, at the Burlington New Gallery, is something else again. Wimbledon School of Art is one of the few free-standing art schools left in the country independent of any parent polytechnic or soi-disant university – although its degrees must be validated by the Surrey University. Still, it prides itself on being virtually unique as a degree-awarding institution in retaining the designation "school"; long may it continue.

Do we find some symptom of that independence of spirit in this present project? Every art school, college or department of fine art must have its sculpture school, which, one would have thought, would enjoy the facility of a foundry. But it is not always so. I remember a foundry of sorts in my time at Wimbledon over 30 years ago, but it was a small affair more for demonstration than regular use.

Several factors have tended to conspire against the foundry, on grounds of both practice and principle. Casting is expensive, in bronze especially so, and any association with the old tradition of modelling from life would have made its case less urgent, not more. But Wimbledon stands unregenerate – it has even reintroduced the life-class as standard and is toying with the idea of making its use an absolute requirement once more.

So with the foundry. A proper working foundry has been installed, which will be available not only to the students but, for a fee, to working artists from outside the school. In times when commercial foundries have been badly hit financially and even forced to close, this is an important initiative. To celebrate its inception, the staff of the fine art department and artists associated with the school have been invited to try their hand. Hence the show.

Some 20 artists have taken up the challenge, and all but two have employed the lost-wax process of casting, which is about as traditional as you can get. The technique was perfected by the Greeks in the days of their glory, and was revived in the Renaissance with equal sophistication.

The artists here stick to the ideas and preoccupations that inform their main work. To return to the figure or an academic image for the sake of the old process would have been arch and inappropriate. But the painters especially seem to have been stimulated by the opportunity and the fresh cast of mind that an unfamiliar medium requires. Michael Ginsborg, for example, with his "Convolute", takes the sprung, linear tension of his abstract imagery – so elegant, lyrical and refined in his paintings – and transforms it into something no less elegant, but so much more active, physical and robust in its three-dimensional presence.

For John Mitchell, the shift has not been so great, for his paintings have long been set on the volumes and perspectives of the basic geometric figures – the cone, the cube, the pyramid and the rest – but here again the physical weight of these elements, set now in the real, utterly transforms the imaginative experience.

Other painters, by contrast, have been somewhat reluctant to leave the safety of the wall in their venture into three-dimensions, but the relief, with its pictorial properties and its sculptural presence, is an authentic and fascinating form that plays both ends, as it were, against the middle. Prunella Clough plays for real, for once, the formal games she has long played so beautifully in her paintings, setting up a plane or field against which more active elements or figures then come and go, elements that might as well be abstract or descriptive – here, as it happens, a cloth that is both at once. And Colin Painter, more obviously theatrical, shows a relief that must have been a tour-de-force of casting, with its lace curtains drawn aside to show shallow protruding planes. There is, of course, much else besides.

**Bronze Works: The Burlington New Gallery, 4 New Burlington St London W1 until July 9**

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## Opera/**Richard Fairman**

# A desirable 'Manon'

The first sign that something was wrong came when Manon cried out, "I hear the voice of my cousin approaching". The trouble was that she did not. A gaping silence ensued and in the following scene singers found themselves addressing an empty space where the missing baritone should have been.

The unfortunate singer was Anthony Michaels-Moore, who had collapsed backstage, leaving the opera without one of its three principals. It is the regular practice of opera-houses to dismiss understudies on the morning of the performance if all looks well, but the Royal Opera might consider a new arrangement after this unhappy experience – the only blight on an otherwise fine revival of Massenet's *Manon*.

Everything that was dear to Massenet can be found in *Manon*. The composer had a fondness for beautiful women and beautiful sopranos in particular, which finds its highest form of expression in his portrayal of the Abbé Prévost's siren of femininity, the shallow but dazzling Manon Lescaut. So intimate was his love for her that the opera seems like an amorous conversation secretly overheard.

At one point the Royal Opera production captures that feeling to perfection. As Manon and Des Grieux are swept away with uncontrollable desire, entwined on the floor of the vestry at St. Sulpice, some of the clergy look on with barely-disguised delight. It is hard to see anybody resisting the charms of Leontina Vaduva's Manon. Sparkling, fragile, singing with sensitivity and unabashed sexual dynamism, she is near ideal for the role.

These days, Vaduva could carry the opera by herself, but she is partnered by a more than worthy Des Grieux. Giuseppe Sabbatini's stage persona may be uncharismatic (a smile would help) but his singing makes up the lost ground. He has enough reedy tone for the big moments and turns on the poetry for the soft ones: a floated high A in his Dream solo melted into the air.

Although Sabbatini's French leaves a lot to be desired, there were signs of schooling among the smaller roles. Robert Lloyd plays the Comte des Grieux with aristocratic paternal authority. Richard Van Allan made a distinguished De Brétigny and Philip Doghan a suitably fussy Guillot, while the three good-time girls of Rosemary Joshua, Yvonne Barclay and Leah-Marian Jones play their parts with zest. After so many spartan productions of late, the old-fashioned sets for this *Manon*, courtesy of Fragonard, look almost lavish. It is amusing, too, to see the crowd at the Cours-la-Reine buying lottery tickets (a crafty in-house plug for the Royal Opera's case for lottery money?)

Nevertheless, the architect of this revival's success was not to be found on the stage. After a lifetime's championing of Berlioz, Colin Davis showed that this cultivated opera thrives on the same kind of precision and energy – no sloppy rhythms allowed. It might seem a backhanded compliment to commend Davis as a master of Massenet style, but there are precious few conductors who are. On the first night this tender and passionate *Manon* was an (almost) complete performance.

**Further performances until July 21**

Alastair Muir

**Leontina Vaduva and Guiseppe Sabbatini**

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## Concert/**David Murray**

# A 'Matter' of moment

For the South Bank's "Meltdown" jamboree, the dire new Butler/Pruslin opera last Wednesday might have been a burn-out. On Sunday, however, it recovered for a sensational finish, with the British premiere of Louis Andriessen's massive *De Materie* ("Matter"); the determinedly public terms of Andriessen's *magnum opus* answered ideally to the "Meltdown" brief – accessible to non-specialist ears, powerful as music-theatre, but still uncompromisingly new.

This Dutch composer has just turned 55. Like many another, he passed through serialism to something else, inspired by the example of American minimalists but not much like them. Though his work has enjoyed some currency among even British avant-garde circles – where it made itself noticed by its roots in jazz and "street music", its abrasive colours and attack, its rigorously formal patterns – it was always caviar to the general. *De Materie* (1984-88) was conceived, however, almost from the start as a large music-theatre piece, and in 1989 Robert Wilson staged it with *éclat*.

We heard it in the Queen Elizabeth Hall as a concert work. Its four movements stood up admirably as a quasi-symphonic whole, but the Wilson component might have been a bonus; most of the score is big-boned and stark, without chamber finesses, and visible human detail would have filled out its severest spans. For the "Matter" of its title really invokes the "materiality" of the human spirit – historical, communal and personal; and Andriessen has used human documents both as blueprints for his structures, pre-planned at 25 minutes each before he wrote the notes, and as texts.

The first movement begins with 144 shattering chords from the orchestra (shrill at the top, with dirty snarls far below: very Andriessen) which prove to evoke ship-building in in newly independent, industrious Amsterdam. On the same chords the chorus chants part of the Dutch declaration of independence from Spain (1588), and later a catalogue of ship's-carpentry tools, after a solo tenor delivers a manifesto by an atomist philosopher of the time. The proportions of the second movement, which sets mystical-erotic words from the Seventh Vision of the poetess Hadewijch, are mathematically derived from the dimensions of Rheims Cathedral.

The third – "De Stijl", a gigantic boogie-woogie fantasy – is mapped upon the dimensions of a Mondrian painting. The fourth and last is an elegiac pavane: for a long time nothing but plangent alternating chords, then a lyrical descant on a sonnet by Willem Kloos, and at last Madame Curie's touching messages to her deceased husband.

But the heart of the whole sequence lies in the "Hadewijch" movement, where Andriessen uses a ballad of his own as *cantus firmus* for a serenely beautiful construction: a long chorale for vibratoless strings leads to a rapturous soprano solo (here Susan Narucki) with a sweetly inconsolable close. That, at least, should compete with Gorecki, Tavener and Arvo Pärt for popularity beyond the "classical" norm. The whole work, nonetheless, has a gritty, imposing integrity that makes it a kind of landmark amid the current wasteland of uncertain experiments. Reinbert de Leeuw conducted the Asko and Schoenberg Ensembles in it to sure effect.

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## Glasgow Jazz Festival/**Garry Booth**

# Intrepid impro and talent

Glasgow itself may not be the most prepossessing of places, but it knows how to put on a jazz festival. For the first ten days of July corners of the old merchant city like the Old Fruit Market and the Ramshorn Kirk as well as its innumerable friendly bars and cafes, resound to a canny mix of local mainstream talent, intrepid impro and big budget, sure fire sell-outs.

This year we had the extraordinary reeds and bagpipes partnership of Dick Lee and Hamish Moore occupying the same stand on different days as experimentalist Lol Coxhill. Hardy perennials BB King and Al Green mingled with hard-as-they-come boppers Horace Silver and Max Roach.

Like all proper festivals, Glasgow has a composer in residence. This year's choice, altoist Bobby Watson, is at first an unusual one coming after grand strategists George Russell and Carla Bley. But Watson is an accomplished arranger – he was musical director of Art Blakey's Jazz Messengers – and is someone who can juggle several projects at one time.

Glasgow was clever enough to get the lot: the 29th Street Saxophone Quartet, Horizon and also Watson as featured soloist with the Strathclyde Youth Jazz Orchestra. On top of that Taylor Made, a seventeen piece conjunction of 29th Street and Horizon, performed a suite commissioned by the Scottish Art Council. *Afroisms – The Spoken Word*, a series of sweet running movements which reflected the composer's key influences, featured swooning horns and bright toned solo spots from trumpeter Melton Mustafa to baritone saxist Jim Hartog. Watson, wiry and angular in appearance as in alto technique, maintained momentum with his (apparently) breathless and beseeching choruses.

Earlier in the day, a collective breath of the Fruit Market was being taken away by the live guitar playing of Martin Taylor's Spirit of Django, a return to the group's setting for the virtuoso guitarist. It is impossible not to be hypnotised by Taylor on Reinhard – his links with the gypsy guitarist are strong through a long association with Stephane Grappelli. Accompanied by John Goldie on rhythm guitar and Alec Dankworth on acoustic base guitar (not a base fiddle as is usual for "Danktone") and the mellifluous tenor sax of Dave O'Higgins, Taylor's treatment of classics like "Nuages" and "Minor Swing" is transcendental. Look out for a new album in October on Linn Records.

In the dark of the Ramshorn Kirk a different kind of meditative exploration was going on. Clarinettist, saxophonist Tony Coe and pianist John Horler are two of our best but most illusive musicians. Putting them together for an hour or two of sparse, gentle invention demonstrates inspired programming. Coe, looking deceptively shambolic in his old cardigan, has a blue, burred tenor sound and an intelligent, sneaky way with the clarinet that hooks the listener and won't let go. Horler, missing an E flat on the keyboard, sprinkled gold into improvised standards such as "Blue N'Green".

That duo's sympathetic insinuation was a far cry from the bombardment put up by Herbie Hancock's new band at the Royal Concert Hall. Keyboards are a strong feature of the Glasgow Fest with Ahmad Jamal, Horace Silver, Joe Zawinul and Bheki Mseleku all at the ivories at sometime. Hancock, the Water Melon Man, had three playing simultaneously in his highly funked outfit. Heavily electronic, crushingly percussive new material from *Dis is da drum* sees Hancock returning to pop territory.

The pianist has always had an ear for the deep groove and his tunes of 30 years back are sampled by today's hip-hoppers. Now he plays them at their own game using samples to beef up his own afro-Latin sizzlers. In keeping with the mood of the moment the new numbers take no prisoners, but where Hancock's playing could be disinterred from the rhythm overkill, it sparkled still.

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# *INTERNATIONAL* ARTS GUIDE

## ■ AMSTERDAM

**Concertgebouw** Tonight: Nicolette Fraillon conducts New Sinfonietta Amsterdam in works by Bach/Mahler, Haydn, Schnittke and Mozart.
Tomorrow: Claus Peter Flor conducts Royal Concertgebouw Orchestra in Stravinsky and Brahms.
Thurs: Alexander Lazarev conducts Radio Philharmonic Orchestra in Prokofiev and Stravinsky, with piano soloist Alexander Torazde.
Fri: Yakov Kreizberg conducts Australian Youth Orchestra, with piano soloist Cristina Ortiz.
Sat: Deborah Riedel sings opera arias with North Holland Philharmonic Orchestra.
Next Mon: Jac van Steen conducts Hague Philharmonic Orchestra in Thomas, Henkemans and Stravinsky, with piano soloist Garrick Ohlsson (020-671 8345)
**Muziektheater** Tomorrow, Fri, Sun afternoon: Christophe Rousset conducts Pierre Audi's production of L'incoronazione di Poppea (020-625 5455)

## ■ ATHENS

**ATHENS FESTIVAL**
Yuri Temirkanov conducts St Petersburg Philharmonic Orchestra on Fri and Sat in the opening concerts of a Beethoven cycle at the Odeon of Herodes Atticus. Michael Schoenwandt conducts Berlin Symphony Orchestra and Radio Chorus on Sun and Mon in Beethoven's Ninth Symphony. Next week's events include extracts from Fidelio and a piano recital by Gerhard Oppitz (01-322 1459/01-322 3111)
**EPIDAURUS FESTIVAL**
The festival of ancient drama in the 1400-seat amphitheatre at Epidaurus hosts performances of Greek classical drama throughout the summer. The next performances are on Sat and Sun: Sophocles' Antigone in a production by Bulandra Theatre of Bucharest. Tickets are available daily at the Athens Festival box office (01-322 1459) or at Epidaurus on Fri, Sat and Sun (0753-22006)

## ■ BARCELONA

Edita Gruberova and Alfredo Kraus sing in Lucia di Lammermoor tomorrow and Sun at the 16,000-seat Palau Sant'Jordi sports stadium (318 9122)

## ■ CHICAGO

**RAVINIA FESTIVAL**
Lynn Harrell gives a cello recital tonight. Placido Domingo conducts the Chicago Symphony Orchestra tomorrow, with violin soloist Sarah Chang, and also sings in a gala concert on Fri. David Sanborn is guest artist on Sat, and Shura Cherkassky gives a piano recital next Mon. The festival runs till August 28. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chicago area, call 1-800-433-8819. Tickets can be ordered by fax 24 hours a day: 708-433 4582.

## ■ COPENHAGEN

**Tivoli** Tonight: piano recital by Lovro Pogorelich. Tomorrow, Thurs, Fri, Sat: Schubert piano festival. Sun: Yakov Kreizberg conducts Australian Youth Orchestra, with violin soloist Cho-Liang Lin. (3315 1012)

## ■ LONDON

**THEATRE**
● **The Seagull:** Judi Dench plays Arkadina in Pam Gems' new version of Chekhov's play about disappointed aspirations. John Caird directs. Now previewing, opens in the Olivier on Thurs (National 071-928 2252)
● **The Country Wife:** Jeremy Northam takes the leading role in this RSC production of William Wycherley's Restoration comedy, directed by Max Stafford-Clark. Now in previews, opens in The Pit next Tues (Barbican 071-638 8891)
● **She Loves Me:** West End transfer for Scott Ellis' Broadway revival of the 1963 Masteroff, Bock and Harnick musical. Now in previews, opens next Tues (Savoy 071-836 8888)
● **The Cryptogram:** David Mamet's new play about the relationship between a woman, her child and a male visitor. Eddie Izzard makes his serious acting debut alongside Lindsay Duncan (Ambassadors 071-836 6111)
**MUSIC/DANCE**
**Covent Garden** The Royal Opera has Manon, conducted by Colin Davis with cast headed by Leontina Vaduva and Giuseppe Sabbatini (till July 21), Aida with Nina Rautio/Julia Varady (till July 22), and La fanciulla del West opening next Mon with Gwyneth Jones (071-240 1066)
**Barbican** Tonight: Mariss Jansons conducts LSO in Brahms and Wagner, with violin soloist Midori. Fri: Dirk Joeres conducts Westdeutsche Sinfonia, with piano soloist Artur Pizarro. Sat and Sun: Ute Lemper sings numbers made famous by Piaf and Dietrich (071-638 8891)
**Royal Festival Hall** July 11-24: JVC Jazz Parade, featuring Natalie Cole, Al Jarreau, Dee Dee Bridgewater, Nina Simone, B.B. King and others (071-928 8800)

## ■ MILAN

**Teatro alla Scala** Tonight, Thurs, Sat, next Tues: Wolfgang Sawallisch conducts the Strehler production of Mozart's Entführung, with changing casts including Mariella Devia, Barbara Kilduff, Kurt Streit and Kurt Moll. Next Mon: first of five performances of Natalia Makarova's production of La Bayadère (02-7200 3744)

## ■ MUNICH

**Gasteig** Tonight, Thurs: Georg Solti conducts Bavarian Radio Symphony Orchestra and Chorus in Verdi's Requiem, with Cheryl Studer, Marjana Lipovsek, Vincenzo La Scola and Samuel Ramey. Fri, Sun, next Mon: Zubin Mehta conducts Munich Philharmonic Orchestra in a Mozart programme, with violin soloist David Garrett (089-4809 8614)
**Staatsoper** Tomorrow: Munich Opera Festival opens with a new production of Tannhäuser, conducted by Zubin Mehta and staged by David Alden, with cast headed by René Kollo, Bernd Weikl, Nadine Secunde and Waltraud Meier (repeated July 9, 14, 18). Thurs, Sun: Lady Macbeth of Mtsensk with Hildegard Behrens. Fri, next Mon: La forza del destino with Sharon Sweet, Peter Dvorsky and Vladimir Chernov. The opera festival runs till July 31 (089-221316)

## ■ ROME

**Villa Medici** Tonight, tomorrow, Thurs: Emmanuelle Haim directs Centre de Musique Baroque de Versailles in a Rameau programme, with tenor Howard Crook. Fri: Hélène Mercier plays piano music by Ravel (tickets 06-361 2682/06-372 0216/06-291 0335 information 06-4890 4029)
**Museo degli strumenti musicali** Tonight, tomorrow: Ohad Naharin and Batsheva Dance Company. Fri: Compagnia Virgilio Sieni. Sun, Mon, Tues: Bill T. Jones/Arnie Zane Dance Company (06-361 2682/06-372 0216/06-291 0335)

## ■ STOCKHOLM

**Drottningholm** Tomorrow, Fri, Sun, next Tues and Thurs: Nicholas McGegan conducts Ivo Cramer's production of Handel's Orlando Paladino. The season runs till Sep 10 (08-660 8225)

## ■ TURIN

**Teatro Regio** An international dance festival opens tonight with the first of three Lyon Opera Ballet performances of Maguy Marin's production of Coppelia. Next week: Frankfurt Ballet. The festival runs till July 24 (011-881 5214)

## ■ VERONA

The Arena season opens on Fri with Bellini's Norma starring Elizabeth Connell and Chris Merritt. This is followed by Otello on Sat with cast headed by Vladimir Atlantov and Daniela Dessi, and La boheme on Sun. The season also includes Aida and Nabucco (045-596517)

## ■ WASHINGTON

● The main summer show at the Kennedy Center is Miss Saigon, the musical love story set during the Vietnam war. Daily except Mon (202-467 4600)
● Earth Wind and Fire can be heard in concert tonight at Wolf Trap, followed by Les Grand Ballets Canadiens in choreographies by Balanchine and Kudelka on Fri and Sat, and a gala with José Carreras and Marilyn Horne next Mon (703-255 1860)
● Source Theatre Company presents the Washington Theatre Festival from July 7 to Aug 7. More than 60 new plays will be produced at various venues around the city (202-462 1073)

### ARTS GUIDE

**Monday:** Performing arts guide city by city.
**Tuesday:** Performing arts guide city by city.
**Wednesday:** Festivals guide.
**Thursday:** Festivals guide.
**Friday:** Exhibitions Guide.

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**MONDAY TO FRIDAY**
**NBC/Super Channel:** FT Business Today 1330; FT Business Tonight 1730, 2230

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# Bit more pain for future gain

## New Zealand's economic reforms are starting to bear fruit, say Terry Hall and Nikki Tait

When Jim Bolger, New Zealand's *prime minister*, meets Paul Keating, his Australian counterpart, this week, they are likely to discuss closer economic ties between the two countries. But Mr Bolger might be tempted to offer his neighbour a few tips about how to turn a highly protected welfare state into a deregulated market economy.

*Last week*, Mr Bill Birch, New Zealand's finance minister, presented a budget which showed a NZ$527m fiscal surplus for the 12 months to the end of June, the first achieved by New Zealand for almost 20 years. The figure surpassed the government's forecast a year ago, and its predictions now suggest rising surpluses for the next three years. The first use to which these would be put, said Mr Birch, was the repayment of foreign debt, which accounts for about 38 per cent of total net public debt.

Contrast that with Australia. There, as in New Zealand, recovery has come more quickly than expected, and the economy is growing at a similar rate – close to 5 per cent a year. So, like New Zealand, Australia has had the benefit of higher than expected tax receipts, giving the government fiscal leeway.

But in his May budget, Mr Ralph Willis, Australian treasurer, announced a A$11.7bn deficit for 1994-95 (2.5 per cent of gross domestic product), after A$2.4bn of asset sales. Much of the "growth dividend" would be used to fund a jobs programme, costing A$6.5bn over the next four years. It will be the late 1990s, according to official estimates, before Australia moves into surplus.

The comparison is only relevant because the two countries started from similar positions a decade ago. Both had economies which were protected behind high tariff walls; both labour markets were regulated and depended on centralised awards; and industrial sectors such as telecommunications were dominated by public sector monopolies.

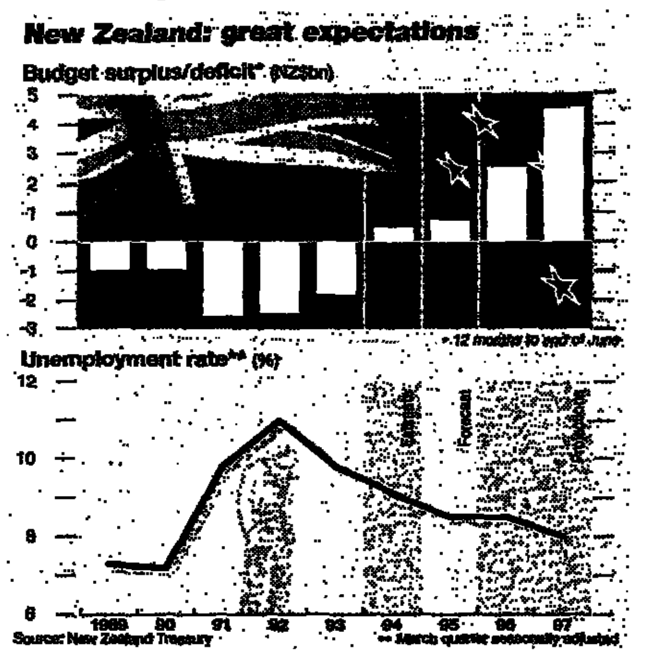
*The greater speed of New* Zealand's reform process has already won international praise. But there is no secret about the way in which the budget surplus has been achieved – and no hiding the price. During the past 10 years, unemployment has soared as *former government activities* were privatised in the interests of efficiency, and the new profit-minded owners pared away unnecessary services. New Zealand's jobless rate peaked at more than 11 per cent in early 1992, and currently stands at about 9 per cent.

*Union* power has been broken with the Employment Contracts Act, and wage levels have fallen in real terms over the past decade. Schools and hospitals have been reformed, welfare spending, including unemployment benefits, has been slashed as the government has sought to lower its costs.

All this has led to substantial savings in government spending. Now that recovery is under way, a virtuous circle is also taking effect, augmenting the gains. The improving economy is leading to a sharp increase in tax receipts as people rejoin the workforce. Lower wage bills are boosting company profits, with the result that these are rising, again lifting tax receipts.

In deciding how to use New Zealand's hard-won rewards, the economic reformers, centred mainly in the Treasury, have coined one central word: responsibility. Mr Birch said it would not be responsible to yield to the demands of the three opposition parties which want more of the money used to help the under-privileged – or, as they term it, a "social dividend" in return for the years of pain.

So Mr Birch has promised only minor increases in financial support for the low-paid, the disabled and to schools.




It is easy to understand why Mr Bolger is being tough. The size of the public debt, which stood at 39.6 per cent of GDP last month or NZ$35bn, is a nagging reminder that New Zealand's economic health is still less than robust. Its external debt remains the main concern of the international financial *community*. *It was the main* reason, for example, cited by New York-based ratings agency Standard & Poor's, for not upgrading New Zealand's debt ratings earlier this year.

Tackling the debt problem would put New Zealand near the top of the OECD league *table, rather than near the bottom*, as at present. As if to emphasise the debt problem, the budget was prepared under the terms of a new fiscal responsibility bill, which came *into force on July 1, the day* after the budget. An important requirement of the legislation is a steady reduction in net public debt. The government has set a target of reducing net public debt to between 20 and 30 per cent of GDP by the year ending June 1997.

*Mr Birch offset the tough* budget by offering the prospect of NZ$1.6bn in tax cuts in 1996-97. That would equal an extra NZ$980 in the pocket of every wage and salary earner in that fiscal year.

The budget has been received well by the business community, both inside and outside New Zealand – in *marked contrast to Australia*, where the government's looser fiscal stance has prompted a furious public debate. Mr Douglas Myers, the chief executive of Lion Nathan, the biggest brewer in Australia and New Zealand, *said the budget* would stimulate private sector growth, while Mr Roger Kerr, head of the Roundtable, the influential big business pressure group, said the budget gave New Zealand the best prospect for years.

The New Zealand government must overcome several problems, however, to succeed with its debt reduction strategy. First, as a trade-dependent economy with a population of only 4m, it is counting on a continuation of the improvement in the world economy.

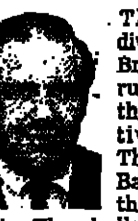
Second, it must also negotiate the fluid domestic political situation. Mr Bolger's government narrowly retained power in the general election last November, and the next election will *almost certainly* be held under a system of proportional representation rather than first-past-the-post. This is likely to lead to some form of coalition government.

Mr Birch may be showing *political astuteness, however*. Polls conducted by the Roundtable claim that 80 per cent of New Zealanders are prepared to accept some pain for ultimate gain. Minimal social spending might be acceptable if there is financial reward in the form of tax cuts down the *road. Mr Birch may be success*fully wooing the "middle ground" and isolating the main opposition Labour party.

But voters proved impatient for change at the last election, and there are hints that the next election may be little more than 12 months away. *The extent of the electorate's* appetite for change may determine whether Mr Bolger is still in the prime ministerial chair, offering more tips to his Australian counterpart.

## Joe Rogaly

# The centre of attraction



The true dividing line in British politics runs through the Conservative party. There are the Bastards, and there are the *rest. The* hallowed centre ground lies between the two. *The big Bs, so-named by the* prime minister, preach minimalist government, unregulated free markets, and the erection of a huge stone wall, 50 miles high and 20 wide, along the length of the sea *channel that divides continen*tal Europe from its most troublesome offshore islands. Transferred to the United States, the Bastards would doubtless join the conservative wing of the Reaganite faction *of the Republican party. Some* of us would wish them luck as we waved them goodbye.

Nearly everyone else would be comfortable as a European Christian Démocrat or, in the US, a New Democrat. This *includes the UK Liberal Demo*crats led by Mr Paddy Ashdown, the Labour party as it will be if and when Mr Tony Blair takes charge, and the bulk of Mr John Major's cabinet. Funny about that last lot. Several non-Bastard ministers have spent the last few days *shuffling towards* the centre. It is their customary nervous reaction to rightwing speeches.

The effect could be *alarming*. It has been calculated that if we all breathe in and stand very still, the entire population *of the world will fit on the Isle* of Wight. That is the condition of the centre ground in contemporary Britain. Everyone is snuggling up to everyone else. Few dare to move, saving an occasional upwards jump by Mr John Prescott. Certainly nobody, the Bs aside, says any*thing truly controversial*. Mr Ian Lang, secretary for Scotland, warned his Conservative colleagues in his Swinton Lecture on Sunday that "ideology can become a substitute for thought, and an ideologically driven party ultimately becomes a pastiche of itself, entirely in the grip of ideologues applying uncritically yesterday's answers to today's problems". *That is no way to* talk of Mr Michael Portillo, Mr *Michael Howard, Mr Peter* Lilley or Mr John Redwood.

Mr Lang left no phrase-of-the-centre unuttered. Conservatives work for an "enabling" society, an "opportunity" society. They "empower" people. *The "community" matters to* Tories. What is more, "there is a balance between rights and responsibilities". Some Labour leaders, not least Mr Gordon Brown, *might feel that* they had a patent on such pragmatism. These are the notions of the post-communist '90s, conceived after the heady triumphalism of Reagan-Thatcher liberalism had begun to fade. Mr Ashdown has writ*ten a book on the subject. All* parties are groping for solutions in a fast-changing world in which, as you and I know, there are none. It has to be said for the shadow chancellor that his non-solutions are beginning to sound better than they used to, and perhaps bet*ter than others on offer*.

**The UK political parties may not have starkly different *ideologies to offer*, but Mr Blair's has the advantage of freshness**

Put this down to political convergence. You can savour its effect by studying Mr Blair's recent speeches. Last Thursday he spoke on the economy, rephrasing Mr Brown's known ideas. On partnership between government and industry he sounded like Mr Michael Heseltine. As to dividend policy, he was the very model of the Treasury's Mr Stephen Dorrell. Training? Step forward Mr David Hunt, who will promote exactly that in a speech to the TUC today. Full employment? There is hardly a cigarette paper between the putative Labour leader and our very own cheerful chancellor and putative prime minister, Mr Kenneth Clarke. On education Mr Blair's speech yesterday was equally encouraging. It offered a sensible execution of the proposals on the national curriculum, standards, assessment and parent involvement implicit in Mr Kenneth Baker's Tory education act of 1988.

This is not to deny the significant differences of detail between the parties. *Labour* backs the minimum wage and accepts European labour regulation; the Conservatives do not. *One of* Mr Brown's "flagship proposals" is a "university of industry", a contemporary form of worker education. It is so far unmatched by Mr Hunt. *Labour would spend money on* pre-school education. The prime minister has spoken in favour of the idea, but not the cost. The Tory education minister, whatsisname, has infuriated the teachers. Mr Blair offered an *olive branch – a* General Teaching Council to self-regulate the profession.

The similarities in the broad direction of economic and social policy are, however, greater than the distinctions. In particular, Mr Blair has acknowledged the relative *impotence of demand manage*ment. Mr Brown has disowned high taxation, devaluation, high spending and a quick dash for growth. The Labour modernisers have become the apostles of sound money. Can they do more? Yes. They might dare to criticise the railway signalmen, while castigating *the Railtrack management* and the government. "Tough on *strikes*," they might say, "and tough on the causes of strikes." Whether or not they take up this friendly suggestion, they have done enough to assure us that the creative aspects of Thatcherism would be safe in their *hands*. Now they need to show what they can add.

The answer lies in Mr Blair's favourite word, renewal. This is where Britain's Labour centrists differentiate themselves from their Tory counterparts. The Conservatives, carefree dispensers of patronage, are *deaf to evidence that their* network of quangos is an open invitation to corruption in government. Their marketisation of health and education is a good idea badly implemented. They will not hear of administrative or constitutional reform. Mr Blair will shortly remind us of Labour's commitment to civic reconstruction in local government, the regions, the House of Lords and elsewhere. The theme of renewal of our *democratic mechanisms* should provide an attractive wrapping to his economic and social statements of values.

No wonder thinking Conservative centrists are scrambling to catch up on Labour. The parties may not have starkly different ideologies to offer, but *Mr Blair's has the advantage* of freshness, something new, different where it counts, and safe. Above all, Labour is united. With Tories you get both centrists and Bastards. You never know which lot is on top. *The prime minister* appears to have been corralled by his predecessor's faction. At the next general election Labour will therefore have a cogent story to tell. It may even be believed.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Time to try harder on pensions

*From Mr C R Kemp.*

Sir, In connection with the government white paper on pensions ("Pensions – the white paper", June 24), dare one pose two questions?

1) Is the Treasury happy that social security secretary Mr *Peter Lilley's white paper (spe*cifically on the minimum solvency standard) could have the effect of depressing UK equity stocks for years to come, while being able to write new government debt without fear of political reprisals for decades?

2) Is the actuarial profession so despicably greedy for fatter fees that it has to devise age specific asset/liability solvency standards?

It is time to knock a few heads together (or off). Encouraging governments to issue more gilts is, I contend, not a sociably responsible policy.

*Although actuaries* are the best equipped to measure risk, their ability for getting it wrong for UK plc is plain to see. One example is the unnecessary pension surplus built up in the 1980s as a result of *assumptions that were too con*servative and damaged corporate UK recovery from the early 1950s recessions. Why should they take away the fairly basic commercial decision from trustees, who can come to their own conclusions on what risk profile to adopt, including actuarial advice?

Any minimum solvency standard would not have stopped Robert Maxwell; it merely places an extra burden on *employees' and employers'* purses and the only gainers are the actuaries, benefit consultants and the government's borrowing requirement.

Thank you, Mr Lilley: now please try harder.

C R Kemp,
*Caparo House,*
*Birchills, Walsall,*
*West Midlands WS2 8QE*

## Incentive to make ships safer

*From Dr Helen B Bendall.*

Sir, Charles Batchelor's article, "US 'black list' worries *world shipowners*" (June 27), quite rightly pointed out many of the problems associated with the black list approach to controlling sub-standard ships. While not denying the value of the work done by some port state bodies, the escalation of regulatory zeal embodied in *the black list approach unfor*tunately is not the solution to this world wide problem.

A better approach is the development of a "white list" mooted by Paul Slater of First International last year. This approach overcomes many of the problems raised by Captain Joyce of the *International* Chamber of Shipping, referred to in Charles Batchelor's article.

The white list would include only ships that meet clearly *specified safety criteria*. Thus there would be substantial pressure on sub-standard owners to ensure their ships are in a suitable condition to secure charters, to lower insurance premiums etc.

Large-scale charterers could establish an inspection service, the results of which they could share for a fee.

*This alternative to the black* list would be more effective as there is a positive incentive for shipowners to achieve and maintain a position on the white list rather than doing just enough maintenance to avoid being detained if the ship is unlucky enough to be *inspected* by port state bodies.

As with the port state control solution there are costs of developing such a data base but these would be minimal in *comparison since the onus is* on the shipowner to meet *white list criteria by offering* his ship for inspection.

The white list is a lower cost market based solution to the charterer's problem of avoiding unsafe ships. Absence from the white list should automatically attract the attention of regulators.

*The list has an* inbuilt positive incentive for compliance rather than creating an expanding regulatory structure which can be abused by the true targets of the legislation as easily as current legislation is avoided.

Helen B Bendall,
*School of Finance and Economics,*
*University of Technology,*
*Sydney,*
*Australia*

## Beholden to no one but the client

*From Mr R D Corley.*

Sir, In his article of June 11 ("When he dies my dear, all this will be yours"), Peter Marsh wrote: "Although many independent advisers ensure *that clients get good value for* money from respectable organisations, there are many others who are forced to sell poor quality products because they are tied agents trapped in a commission structure which requires them to sell or starve." I feel that the construction of the sentence could cause confusion.

The problem is with the use of the word "many" twice. If this word is deleted the confusion disappears.

To correct any confusion caused, it should be stated that "independent advisers" and "tied agents" are distinct categories, and no one can be in both camps; that independent advisers cannot be forced to sell poor quality products – they are wholly independent of producers; and, to make the difference even more plain, that independent advisers, alone, are the agents of their clients and beholden to no one else.

R D Corley,
*managing director,*
*Clerical Medical Investment Group,*
*15 St James's Square,*
*London SW1Y 4LQ*

## 'Sword of Damocles' must be removed

*From Mr William G Poeton.*

Sir, *How interesting to read* Mr Derek Sach's call (Letters, June 20) to improve British banking through the abolition of the floating charge – the sword of Damocles which hangs over so many excellent *businesses in the UK.*

Every meeting held by small business organisations is dominated by the lack of confidence in the UK's banking arrangement *for the small and inde*pendent business sector. The perceived wisdom in the corridors of power in the Bank of England these days is that banking for small business is much improved, but sadly the *real situation is* the reverse "out in the sticks".

Mr Sach's recommendations should be carefully considered not only by the the Department of Trade and Industry, but by the financial secretary to the Treasury – as a matter of urgency.

William G Poeton,
*president,*
*Union of Independent Companies,*
*London Road, Spellbrook,*
*nr Bishop's Stortford,*
*Herts CM23 4BA*

## S Africa budget good first step to let both rich and poor prosper

*From Mr George Guise.*

Sir, Your front page caption concerning the South Africa budget (June 23) should not have used the phrase wealth tax, which sets exactly the *wrong tone in describing what* the budget is attempting to achieve. Your leading article ("South Africa's balancing act") is far clearer. The device of a levy on normal income tax has been used by the South African government in the past and to good effect. In this *instance, the budget recognises* the legitimacy of a one-off call on the pockets of those with high incomes for a specific step change in the economic infrastructure. The fact that those with high incomes tend to have high wealth could be used to describe any progressive income tax as a wealth tax, and this is not what South *Africa is trying to achieve*. The new government is clearly determined to develop an economy where both rich and poor prosper and this budget is an excellent first step.

However, there is a major pitfall in the *principle* of increasing dividend distribu*tion tax while simultaneously* reducing corporation tax. This will encourage corporate managements to retain surplus earnings rather than distribute them to shareholders. There is mounting criticism of the interlinked and takeover-proof nature of South Africa's major corporations which therefore have no true accountability to *their owners as they would in* Britain and the US. This has already led to a tendency for reinvestment of shareholders' funds in self-aggrandising projects with low marginal return on capital, and there is danger that the increased dividend tax will be seen as government *support for this tendency.*

Any such criticism could be rapidly nailed by trade and industry minister Trevor Manuel's forthcoming review of investment policy. A more deregulated capital market, with open competition for corporate control as exists elsewhere, would enhance the return on capital of existing assets and encourage inward foreign investment, which is currently restricted to froth on the Johannesburg Stock Exchange. Major corporations are only going to come to South Africa with serious capital if they perceive a proper market for corporate control.

George Guise,
*(prime minister's policy unit 1986-90),*
*90 Long Acre,*
*London WC2E 9RA*



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# FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday July 5 1994


# The wages of inequality

Since the 1970s, there has been a large increase in the inequality of male earnings in the UK. This experience has parallelled that of the US and, to an extent, Canada, but not that of continental Europe. A big component of the future political battle, both within and between the parties, concerns how best to respond.

According to a report on wage inequality published last week by the London-based Institute for Fiscal Studies, the ratio of the earnings of men in the ninetieth percentile of the distribution to those in the tenth (a percentile being a hundredth of the total number, ranked by earnings) in the early 1970s was 2.48 to one. By the late 1980s, this ratio had risen to 3.39 to one. While much more unequal than in Sweden or Norway, this distribution was still roughly the same as in France and far more equal than in the US, where the ratio was 5.58 to one.

The increase in male earnings inequality is only part of the story. There has also been a huge decline in the number of men in employment, from 14.1m in 1970 to 10.9m at the end of last year. Meanwhile, female employment, much of it part-time, has risen over the same period from 8.5m to 10.6m. This shift in the sex-composition of the employed labour force is associated with the inexorable decline in the number of those employed in manufacturing, from 39 per cent of the workforce in 1969, to 23 per cent in 1990.

In the UK, therefore, the decline in the demand for relatively unskilled male labour has shown itself in an increase in earnings inequality and a decline in employment. But, as the Secretary of State for Social Security, Mr Peter Lilley, has also noted, the increase in the number of single-parent households, is not independent of the declining prospects for male workers. It should not be too difficult to accept that this pattern – unattached males, on the one hand, and lone-parent females with inadequate income, on the other – is socially undesirable.

## More training

What is to be done? The standard call is for more education and training. But this is far from a panacea. According to the IFS, even though economic returns from education have risen over time and across generations, much of the rise in earnings inequality has been driven by increases in inequality among those with apparently similar education and experience. Furthermore, it takes a long time to make large changes in the distribution of skills across a population.

This leaves a mixture of carrots and sticks. One essential measure is to eliminate the taxation of low wage jobs. Changes in national insurance contributions have gone some way towards this, but not yet far enough. Similarly, raising threshholds for income tax is a better way to encourage people into work than the 20 per cent tax band unfortunately introduced by Mr Norman Lamont.

## Improved incentives

The abolition of all benefits would, no doubt, reduce unemployment, but it would also increase earnings inequality. What is needed, instead, is to make the benefit system more job-promoting. Mr Kenneth Clarke has, in fact, raised expectations that in the November budget tougher benefit rules for the unemployed might be accompanied by improved incentives for people to take low paid jobs. The probable route would be an extension of family credit.

At present, that credit encourages some family arrangements over others and provides no help to those without children. The social security system also discourages the spouses of unemployed people from taking work. What is needed is to provide an incentive to all adult individuals to seek work. To do this, family credit should become a more generalised earned income credit. In the context of such a policy, the Labour party's beloved minimum wage might become defensible.

Any reform to promote employment and raise family incomes of the poor will be costly to the Budget, though the more successful the attempt to encourage people into work the less that cost will be. But a small proportion of the large increases in income that have accrued to the better-off majority could be usefully spent in this way. There are ways forward. What is needed now is not more tinkering, but systematic development of a more job-promoting tax and benefit system.

# Berlusconi's grip tightens

Silvio Berlusconi, as he prepares to host the G7 summit in Naples later this week, still benefits politically from an aura of novelty. But the euphoria in business circles which greeted his election victory in March is beginning to wear off. The markets are waiting with some anxiety to see how Mr Berlusconi, who in his election campaign rashly promised tax cuts, will deal with Italy's crippling burden of public debt.

The government's first official planning document on economic and financial policy is due next week. Meanwhile, it continues to give out signals that it is internally divided, and that its members are more concerned with maximising and perpetuating their political power than with taking the kind of economic decisions the markets are looking for. The Northern League, one of the three main coalition parties, is now on almost as bad terms with Forza Italia as it has been all along with the rightwing National Alliance, and Mr Berlusconi's lieutenants have been threatening it with new general elections.

Two things the government was able to agree on last week seem likely to make things worse rather than better. First, it sought to give itself power to reject the accounts and fire the board of the state broadcasting organisation, RAI; then it asserted its right to control appointments to the directorate of the Bank of Italy. Ironically the latter statement was issued by Mr Berlusconi's office just as the government spokesman, Giuliano Ferrara, was assuring the Financial Times that the the two bodies were entirely different and that the government would make no attempt to influence the choice of a successor to Lamberto Dini, the treasury minister, in his previous job as the bank's director-general.

## Special position

The two bodies are indeed different, but not quite in the way Mr Ferrara thought. The government is right in saying that top officials even in some of the world's most famously independent central banks, such as the Bundesbank and the US Federal Reserve, are appointed by the executive. But the Bank of Italy is in a very special position as the one Italian state institution which, alongside the judiciary, managed to preserve its dignity and reputation during the wave of corruption scandals which led to the collapse of the old political system. This position was acknowledged last year when its then governor, Carlo Azeglio Ciampi, was named prime minister. He was judged the only figure with the necessary authority and impartiality to govern the country during its political and economic transition.

## Deeply suspect

As prime minister, Mr Ciampi won golden opinions from economists which, perhaps unfortunately, were endorsed by the left in its attempt to gain respectability. That dragged him into an argument with Mr Berlusconi which the voters may be said to have arbitrated in the latter's favour, but which left Mr Berlusconi's own fiscal orthodoxy deeply suspect. Mr Berlusconi cannot now afford to appear to be trying to seize control of the central bank, any more than Mr Dini can afford to appear to seek revenge for the fact that he was himself passed over when the present governor was appointed last year.

The RAI, in which jobs under the old regime were cynically shared out between the main political parties, has no such claim to virginity. But the board of five professors which resigned last Thursday had been put in to reform it during the transition. They can fairly complain that they were not given a chance to complete their work. More seriously, the government which has now gained the right to appoint the new board, albeit through the speakers of the two houses of parliament (both drawn from the governing coalition), is headed by the man who in his private capacity owns all three commercial TV channels. It is naive in the extreme for Mr Berlusconi to think he has resolved this conflict of interest by handing over the management of his commercial empire to a trusted lieutenant. He owes it to himself and his countrymen to correct this anomaly as fast as possible, by introducing a broadcasting law to guarantee the independence of both public and private broadcasting, and then selling his own holding at a price fixed by the international market.

**David Buchan** says investigations into Bernard Tapie's business affairs raise questions about corruption in France

# Robin Hood or just a hoodlum

With Bernard Tapie, Gaul is again divided into three.

To some French – and their number can be judged by the 2.5m who voted for his Radical Movement candidates in the European elections – he is a Robin Hood figure who defends the poor. To others, he is a scoundrel who deserves "the 162 police inspectors and seven investigating magistrates" whom he claims are hounding him for alleged tax evasion, fraud, misuse of corporate funds and football bribery.

And there is a third category of spectators, the largest of all, who just chuckle at his latest brush with the law. On Wednesday last week Mr Tapie was dragged out of bed at dawn by police to be taken before a magistrate who put him under formal investigation for tax evasion and fraud. Clearly, matters are becoming serious for Mr Tapie. But the saga so far retains a Tom and Jerry quality, in which the mouse bites back and has still not been finally snared.

Mr Tapie greeted police at dawn last week with a string of oaths, which earned him an extra charge of "insulting representatives of the law". Later in the day he left the magistrate's office, though without his passport, which had been impounded to prevent him leaving the country. A month earlier, there had been another piquant episode, this time at midnight: Mr Tapie spirited some of his 18th-century furniture and works of art into a suburban Paris warehouse, pursued by private detectives in the employ of his biggest creditor, Credit Lyonnais, which claims Mr Tapie's valuable chattels as security for the FFr1.2bn he owes the bank.

But the Tapie affair raises two wider issues. First, it reinforces the impression that France resembles Italy in terms of corruption. The suspicion has been fostered by allegations of improprieties in the financing of political parties and of systematic political kickbacks by construction companies and utilities to obtain public contracts. "France does not seem like Italy," says Mr Antoine Gaudino, a former financial police investigator in Marseille, "but only because French magistrates have not generally been given the same independence to pursue corruption that their Italian counterparts have had in recent years." Yet yesterday saw evidence of increased activity by the fraud police, who detained for questioning Mr Pierre Suard, president of Alcatel-Alsthom, the electrical engineering group.

Second, Mr Tapie's success in winning for his populist, left-wing movement 12 per cent of the Euro-election vote and 13 Euro-seats in last month's European Parliament election has destabilised the left, just as Mr Jean-Marie Le Pen's National Front threatened to do on the right. Conspiracy theorists see in these developments the hand of President François Mitterrand, who introduced proportional voting in 1986 and gave Mr Le Pen his big electoral break and who, in the Euro-election campaign, reserved his praise for Mr Tapie rather than Mr Michel Rocard, the Socialist leader. Mr Rocard was ousted as party leader after gaining only 14.5 per cent of the Euro-vote.

This leaves the Socialists in a quandary about how and whether to effect a rapprochement with Mr Tapie and the Radical Movement (MRG) party. Until Mr Tapie joined the MRG last year and effectively took it over, it was an obedient – because not very successful – ally of the Socialists. In last Tuesday's National Assembly vote to lift Mr Tapie's parliamentary immunity on charges of tax evasion and fraud, the Socialists chose to abstain rather than confront the man whose young and working class following they desperately need to regain.

But the Socialists face stiff competition from Mr Tapie's populism, which is not wholly without principle. He is widely admired for his strong opposition to the far-right National Front. Apart from that, however, he gives the impression of opportunism. Last Tuesday, for instance, to distract fellow-deputies before they voted to lift his immunity, Mr Tapie tabled a bill to make youth unemployment illegal.

During the debate on his immunity, Mr Tapie raised the political stakes as high as he could, warning deputies they might provoke a backlash among "his" 2.5m voters if they supported the authorities' "lynching" of him. The conservative government says it is just letting the judicial and tax investigations run their course.

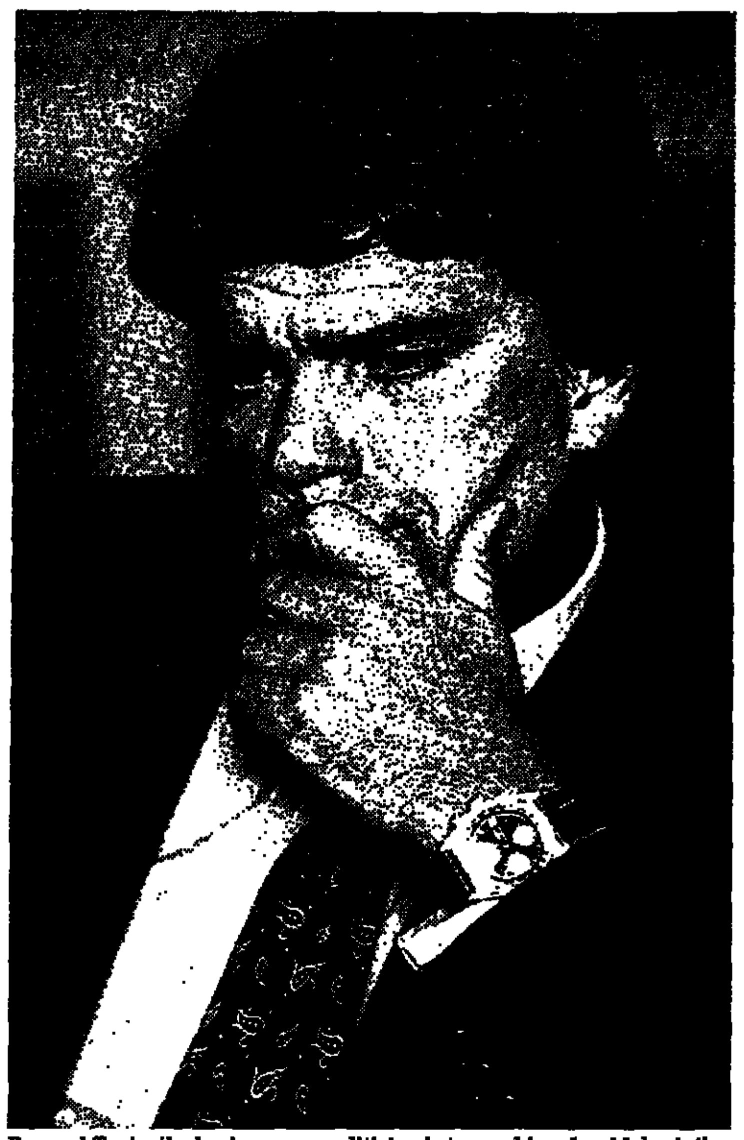
It is, however, striking that these investigations have accelerated since March 1993 when the Socialists and Mr Tapie lost power. In 1992 Mr Tapie became minister for cities in the Bérégovoy government, resigned because of a row over his alleged short-changing of a business partner in importing electronic equipment, but got his ministry back on Christmas Eve of that year. As striking has been the widespread leaking to the press of magisterial, police and tax reports on Mr Tapie.

But some cases against Mr Tapie have been initiated by disgruntled managers of his companies. One involves Testut, a small weighing-machine maker, whose manager filed charges against Mr Tapie for using Testut to get out of debts contracted by another Tapie company, Trayvou, and to fund a fellow MRG politician's campaign. Mr Tapie has not fulfilled his early promise of the 1970s as a white knight galloping to the rescue of stricken firms.

According to Mr Christophe Bouchet, who has written a business biography* of the man, the way Mr Tapie typically worked was to target family companies in difficulty, often run by heirs not up to the standard of the founders but anxious to save the family honour. Ideally, such companies would have relatively little preferential debt on whose repayment the tax and social security administrations would have first call, but often substantial commercial debt which Mr Tapie would then buy at a big discount. The final rule was to sell the companies as quickly as possible. Some relatively quick sales produced relatively good book profits – FFr260m from the Look ski wear company (held for six years), FFr470m from the Wonder battery company (held for five years), FFr280m from Adidas, the sports goods manufacturer (held for three years).

But, Mr Bouchet notes, the longer Mr Tapie held on to companies, the worse they have done. This is the case with companies such as Terraillon (bought in 1981), Testut (1983), and Trayvou (1983). All three are curiously (given Mr Tapie's problems with the "lady of justice" symbolised by a pair of scales) in the weighing machine business. All are, also, still on Mr Tapie's hands, as is La Vie Claire, a chain of diet shops bought in 1980. Ironically, in view of Mr Tapie's latest plan to outlaw youth unemployment, all have shed jobs over the years. The Terraillon workforce, for instance, has shrunk from 560 to 30 in its 13 years under Mr Tapie.

It is, of course, equally true that the worse these companies have done, the longer Mr Tapie has *had* to hold on to them. He tried to interest Booker, the UK food distribution group, in buying a stake in 1986 in La Vie Claire, but ended up in 1989 having to buy back all the shares. He actually got Mr Pierre Botton, the son-in-law of the mayor of Lyons, to buy La Vie Claire, but took it back again in 1992 when Mr Botton complained of being misled about the company's true debt.



Bernard Tapie: the businessman-politician is trapped in a legal labyrinth

After the sale of Adidas in 1993, Mr Tapie withdrew his holding company, Bernard Tapie Finance (BTF) from the Paris bourse, and the separately quoted Testut and Terraillon were withdrawn from the Paris and Lyons Bourses. BTF is 62 per cent owned by Groupe Bernard Tapie (GBT). This last company, and Financière et Immobilière Bernard Tapie (FIBT), a property company that owns his houses in Paris and Marrakesh and Marseille-moored yacht, are wholly owned by Mr Tapie and his wife, Dominique, as personal unlimited liability companies. This has the disadvantage of making Mr Tapie and his wife personally liable for all their possessions, but the convenience of not having to publish accounts.

**The affair reinforces the impression that France resembles Italy in terms of corruption**

It was on Olympique-Marseille football club that Mr Tapie lavished the time he might better have spent managing his other companies. He produced extraordinary results. The club won five consecutive French championships and was the first French team to win the European cup. But in his quest for soccer success, Mr Tapie also used extraordinary methods, according to allegations by police and a Lyons accountancy firm.

To get to the top, O-M needed the best players, and to afford them the club allegedly resorted to a variety of ruses including "fictitious loans". Instead of being paid a salary which would have the inconvenience of attracting income tax and social security charges, players were given "loans" which, at the end of their contracts, were then forgiven. More sensational, however, was the allegation that, just before their victory over Milan, O-M officials offered money to players for Valenciennes, a northern French team, "not to play too hard" against O-M. A cache of FFr250,000 was later found in the garden of the parents of a Valenciennes player.

The case is still under investigation. O-M is said to have large debts, including tax and social security arrears, and is staggering on under judicial supervision. Meanwhile, the French football authorities have demoted the club to the second division and banned Mr Tapie from holding any post in soccer once he has found a buyer for his controlling stake in O-M.

Until this year, Mr Tapie had the good fortune to have a loyal bank, the Société de Banque Occidentale (SDBO). This is a subsidiary of Crédit Lyonnais, the large state-controlled bank which under the stewardship of Mr Jean-Yves Haberer piled up big losses and bad debts. But Mr Tapie's links with SDBO predated the 1988 arrival at Credit Lyonnais of Mr Haberer, who, however, seemed happy to ignore a relationship of which his Socialist political masters evidently approved.

As late as 1992 SDBO lent FFr80m to ACT, the company set up by Mr Tapie to manage his four-masted yacht, the Phocéa, as a commercial enterprise. The allegation that some FFr55m of this loan actually went to other parts of the Tapie empire, including FFr9m to increase Mr Tapie's capital in O-M, constitutes one of the two cases opened against Mr Tapie so melodramatically last week. The other allegation, leaked in its entirety to the French press, is that Mr Tapie underbilled ACT for his personal use of the Phocéa, and used its deficits to underpay income tax by FFr12.4m in 1989-91.

Last year's replacement of Mr Haberer by Mr Jean Peyrelevade at the top of Crédit Lyonnais spelled trouble for Mr Tapie, though this was not immediately evident. In March, Mr Peyrelevade reached an agreement with Mr Tapie, cutting him off from further credit but giving him five years to pay off his FFr1.2bn debt to SDBO. One of the conditions was that Mr Tapie furnish a detailed valuation of his furniture and paintings, which SDBO had earlier loosely agreed would be security for its loans; Crédit Lyonnais says the "friendly" agreement in March was vital to tightening its mortgage on the furnishings.

In the event, Crédit Lyonnais claimed it did not get the valuation, got police help to enter forcibly Mr Tapie's house in May to do its own valuation and has tried to call in some of its loans. However, Mr Tapie claims that he has honoured the March agreement by supplying a valuation. The dispute awaits resolution in court in the autumn.

So far, media attention has been focused on Mr Tapie, and on how or whether he will get out of the legal labyrinth into which he is now plunged. But the broader question is one posed by Mr Gaudino, the former police investigator in Marseille: will French magistrates, so galvanised into action against Mr Tapie, tackle other forms and sources of corruption?

Mr Gaudino's case is instructive. In 1988 he uncovered the Socialist party's system of financing itself through the Urba network of "*bureaux d'études*"; socialist politicians throughout the country asked companies seeking public contracts to pay a commission to Urba offices, which were supposed to evaluate the bids but in fact simply paid the commissions into the party's central coffers in Paris. Mr Henri Emmanuelli, who has just become the Socialist party's leader but who in the late 1980s was its treasurer, is still under investigation for his role in the Urba network.

Following his investigative diligence, Mr Gaudino was struck off the police roster, to which he was formally reinstated last year by the new conservative government. But, like many other professional investigators, Mr Gaudino is convinced that "corruption exists on the right, except that it is more atomised, with individual right-wing politicians taking money, usually in cash, for themselves and a bit for their party".

One of the magistrates who investigated Mr Emmanuelli over Urba is now trying to trace an allegation that a commission paid by Pont-à-Mousson, a pipe-making company, to win a contract in Nantes may have ended up in the pocket of Mr Gérard Longuet, industry minister and Republican party president. Mr Longuet has denied any knowledge of the commission.

Decentralisation over the past 10 years, and granting greater powers to French regions, departments and communes to award public contracts, has certainly increased the potential for corruption. French elections, particularly at the presidential level, also remain very expensive in European terms.

If the problem is indeed general, then nothing would do more to prove Mr Tapie's charge of hypocrisy against the French establishment than selective pursuit of him.

*[1] Tapie: L'Homme d'affaires. Christophe Bouchet, Editions du Seuil 1994.*

# OBSERVER

## Bike worse than his bark

■ Björn Wolrath's claim to have his finger on the pulse of Sweden's investor community looked a little less than convincing yesterday, when the first issue of government stock – a SKr6.5bn tranche of 7-year and 15-year bonds – to be auctioned since his announcement of a bond boycott by Skandia, was 100 per cent over-subscribed.

What upset debt office officials in Stockholm was not Wolrath's anxiety about the state of the public finances, but his bald assertion that there was a risk that state debt might not be paid back. "Wolrath is out on his bicycle," was the inventive suggestion of one angry official. That won't bother him – Wolrath loves controversy.

Last November, he played a very public part in knifing Pehr Gyllenhammar, as the former Volvo boss was desperately fighting to keep the merger with Renault – and his job – on the road. As Volvo shareholders, including Skandia, began giving the thumbs down to the merger, Wolrath and a colleague wrote a devastating critique of the merger plan in Sweden's top-selling quality newspaper.

Cynics of Swedish corporate pond-life suggested Wolrath was settling an old score, as Gyllenhammar, himself a former Skandia chief executive, had been less than supportive when Wolrath was battling against a joint takeover attempt by Norway's Uni Storebrand and Denmark's Hafnia. Wolrath won that battle, thanks to Skandia's strange share structure, obstructing any shareholder from exercising more than one vote.

But though Uni and Hafnia were seen off – and broken in the process – Skandia's remaining institutional shareholders have since forced the adoption of a more regular system, as the price for stumping up for a share issue earlier this year.

Even Björn Wolrath needs friends some times.

## Shaggy but true

■ And now, a variant on the man-bites-dog theme. A dog in Poland has – accidentally, presumably – shot its owner in the back as he left his gun unattended while setting up a target. Surgeons removed five dozen pellets from the man, who is recovering in hospital.

The dog is now taking a course in – barksmanship.

## Home at last

■ Another gamekeeper savours the delights of poaching. Word is that the ubiquitous John Wriglesworth, the media-friendly housing analyst at UBS, is set to join one of Britain's largest building societies, the Bradford & Bingley, to hunt for suitable mergers and plan its strategy.


'The job's yours if you can guess how little it pays'

Though Wriglesworth's knowledge of the sector is encyclopaedic, he may have to fine-tune some of his more forthright views. After all, the B & B is the largest society to act as an independent financial adviser and only last year Wriglesworth was dismissing IFA status as an inferior option for a society. Much better to be a sexy "bancassurer" and devise your own financial services products, or link with a single life insurance company, opined Wriglesworth.

The Yorkshire building society is proud of its independent status, and young Wriglesworth may have to swallow his words if he wants a seat on the board.

He won't be the first ex-stockbroking analyst to do so.

## Snakes 'n' ladders

■ KPMG Career Consultancy Services is holding a career management day today, where some of its neat little gadgets will be on display. When the firm goes along to see prospective clients these days, it whips out its collection of brain teasers, or mind twisters as they are known in the US.

The puzzles include a 'three card trick'; 'clip the queen'; the 'stubborn pencil'; and a miniature treasure chest from which you must extract a playing card without breaking the seal.

"It's a marketing tool with a psychological edge, which is designed to show the creativity of the KPMG approach," says a staffer. Given some of the twisted minds populating the marketing world, mind twisters seem an entirely appropriate way of getting a foot in the door.

## Exit North

■ If there is a bull market in finance directors, then Richard North, Burton's 44-year-old bean counter, must be one of the hottest properties.

In the three years that he has been there, he has overseen three bank refinancings, two rights issues, sold Harvey Nichols, slashed costs and restored the group's integrity in the City.

However, it's time to move on to bigger things. Wellcome, BOC, Prudential and Argyll are just a few of the big names looking for a finance director at the moment.

The Wellcome job sounds the most challenging. But North is an ambitious sort and might have even bigger ideas.

## Was-been

■ The wonders of the word-processor spell-check. A hack on The Independent newspaper ran a computer spell-check on a memo from the newspaper's soon-to-step-down founder-editor Andreas Whittam Smith, signed as usual 'AWS'. It suggested: "AWS does not exist. WAS."

## Claw war

■ And thanks to the UK Press Gazette for this acid view of the current newspaper price war: "The joke doing the rounds at The Telegraph as The Times dropped its price to 20p was that The Thunderer was now cheaper than cat litter but not as absorbing."

FINANCIAL TIMES
Tuesday July 5 1994



## Trade curbs will backfire, says Chinese foreign minister

# Beijing warns EU over quotas

By Michael Lindemann in Bonn and Guy de Jonquières in London

China condemned recent quotas imposed by the European Union on its exports of products including toys and silk and warned yesterday that the curbs would ultimately backfire.

Mr Wu Jianmin, spokesman for the Chinese foreign ministry, speaking in Germany, said the EU restrictions did not send the right signals to China, which expects to import goods worth $1,000bn between now and 2000.

"If you want China to import more from Europe, then you should make it possible for China to export more to Europe," Mr Wu said. "But if you introduce import quotas you will suffer ultimately."

Trade between Germany and China totalled $10bn in 1993 and rose 41 per cent in volume in the first quarter of this year, Mr Wu said.

He was speaking after Mr Li Peng, the Chinese prime minister, had begun a week-long trip to Germany to foster diplomatic relations. His delegation is planning to sign contracts worth $1bn and letters of intent worth another $2.5bn.

Chancellor Helmut Kohl said Germany would use its presidency of the European Union to improve trade between the EU and China. He vowed to press for China's readmission to the General Agreement on Tariffs and Trade (Gatt) and earned Mr Li's "special thanks" for German efforts to "further lower or totally remove" restrictions on high-technology exports to China.

The EU quotas, covering five categories of Chinese exports, have been criticised by many European importers since they were hastily imposed this year. The British government is challenging restrictions on toys in the European Court of Justice after failing to block them in the Council of Ministers.

The curbs were imposed as part of a package deal designed to persuade EU members to agree to abandon national quotas on about 6,500 other products that were preventing free movement of goods in the single market.

Chief executives from 30 leading state-owned enterprises are accompanying the Chinese premier on his visit to Germany, where the delegation will conduct negotiations on a variety of steel, chemical and transport projects.

In the first of many ceremonies this week, the electronics company Siemens closed a deal for a coal-fired power station to be built by a joint venture in which Siemens has a 40 per cent stake worth around DM500m.

Siemens, which will bring its tally to 16 joint ventures in China after signing agreements this week, said there were letters of intent for more power stations, steel rolling mills and digital telephone exchanges.

Asea Brown Boveri, the Swiss-Swedish engineering group, is expected today to announce several power station deals.

Mr Horst Teltschik, a senior executive at BMW and former top adviser to Chancellor Kohl, also said a Sino-German group was working on several transport projects to be built between 1996 and 2010 including a 600km railway line in northeast China and an airport in Shanghai.

Mr Li also said tenders would be issued to build the world's biggest hydro-electric dam on the Yangtze river. Preliminary work has begun on the project, which is forecast to cost about $10bn.

# Swedish minister attacks critics as SKr6.5bn issue is twice subscribed

By Hugh Carnegy in Stockholm and Graham Bowley in London

Mrs Anne Wibble, Sweden's finance minister, yesterday warmly welcomed heavy investor interest in a big new state bond issue and hit back strongly at critics of the government's fiscal policies.

"The reaction to the national bond issue today was very satisfactory", she declared.

"This government has done much more than was expected to cut public spending and much more than has ever been done before in Sweden."

She was speaking after the National Debt Office announced that a keenly anticipated auction of 7-year and 15-year bonds worth SKr6.5bn ($831m) had been more than twice subscribed, with strong overseas interest.

The yield on the 7-year bonds was 10.51 per cent and the yield on the 15-year bonds was 11.05 per cent. News of the auction's success knocked long-term interest rates back below 10 per cent and halted a slide on the Stockholm stock exchange.

There had been worries that the auction would not be fully taken up following the announcement last week by Skandia, the Swedish insurance group, that it was boycotting government bonds in protest at Sweden's record budget deficit and fast-rising debt. Gross government debt is set to rise to 93 per cent of GDP this year.

Mrs Wibble said Mr Björn Wolrath, Skandia's chief executive, was not "as well informed as he should have been" in criticising the right-centre coalition government for not taking the state of the public finances seriously enough.

"I don't think I have opened my mouth in the last couple of years without addressing the problem of the budget situation," she told the Financial Times. She said the budget deficit in the just-completed 1993-94 July-June budget year was slightly less than the previously anticipated 13 per cent of GDP.

It was expected to fall to 9.5 per cent in the current budget year. The aim was to reduce this to within the 3 per cent target set under terms of the European Union's plans for a European monetary union by 1998.

"This will be done mostly by reducing expenditure," Mrs Wibble said. "The scale of our medium-term programme is sometimes forgotten... The situation is serious. But the government is very firm in its policy to reduce expenditure and thus the deficit," she said.

She said the government has already cut SKr90bn in expenditure – equivalent to 6 per cent of GDP – in its three years in office and planned a further SKr60bn over the next four years if it won the general election in September.

Mrs Wibble blamed high interest rates – long-term rates are three points ahead of German rates – on uncertainty ahead of the election. She called on the opposition Social Democrats, who hold a firm lead in the opinion polls, to outline a clear budget reduction programme.

Mr Göran Persson, the Social Democratic economy spokesman, said the success of the bond auction was due only to the high rate of interest on offer.

Analysts were sceptical last night about how long the rally would last.

Mr Theo Hilen, investment director at Lombard Odier in London, said: "The problems with the public finances remain and we could be faced with another crisis if investors decide to take their profits and run."

International bonds, Page 25

## French seek curb on beef

Continued from Page 1

Puech, agriculture minister, teamed up with their German counterparts – Mr Horst Seehofer and Mr Jochen Borchert – to send a joint letter on June 20 to the commission proposing restrictions on British beef.

The French and Germans are now awaiting the commission's response, which is expected to be delivered next Monday at a meeting of agriculture ministers in Brussels.

The UK agriculture ministry said the French proposals would be discussed today by the BSE sub-group of the EU's scientific veterinary group.

"We have spoken to the French, and as far as we are aware they are not talking about banning anything," the ministry said. The German health ministry said yesterday there were signs that Belgium, the Netherlands and Luxembourg would also support Germany in its efforts to ban British beef which it fears may be affected by BSE.

The ministry said France and the Benelux nations were the first to have "open ears" for the warnings from Mr Horst Seehofer, the German health minister, about the dangers of contaminated beef.

The German Bundesrat, or upper house, is to vote on Friday on the proposal for a six-month ban. Mr Klaus Kinkel, the German foreign minister, emphasised last week that Germany would rather see a European solution to the beef dispute.

## China's car industry plan

Continued from Page 1

secure a foothold are relieved that the policy will offer fresh opportunities after a present freeze on new entrants expires in 1996. Foreign involvement is welcomed, but foreign ownership in joint ventures will not be allowed to exceed 50 per cent and manufacturers are to be limited to two joint ventures.

The policy document, prepared by the state planning commission and approved by the state council, or cabinet, is clearly aimed at rationalising China's chaotic vehicle manufacturing sector in which there are more than 120 producers, many of them tiny.

The new policy states, without giving details, that significant tax advantages will accrue to big volume producers as part of efforts to provide inexpensive vehicles, including motor cycles, to a mass market.

"By 2000, total output should meet 90 per cent of the domestic market with more than half of the production passenger cars so that cars can be part of Chinese family life," it said. "Motorcycles should meet the demand of the domestic market by then with a part of production for export."

China plans annual production of 3m motor vehicles by the year 2000. In 1993, it produced 1.31m, including 300,000 passenger cars.

The policy document adds that the "state encourages individuals to make purchases of motor vehicles". Previously, car ownership was taboo, regarded as a "bourgeois" aspiration.

THE LEX COLUMN

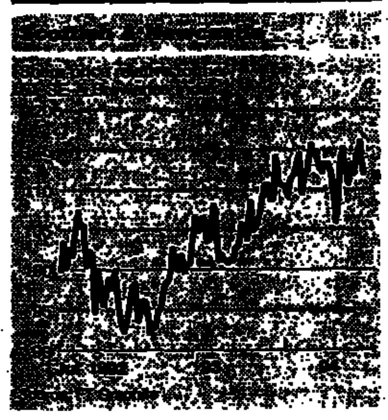
# Plastic surgery

ICI has developed a taste for floating off unwanted assets. Unlike the demerger of Zeneca, though, its decision to make a graceful exit from PVC is no surprise. The joint venture with Enichem never looked like a permanent solution. By transfering manufacturing assets into what was originally a marketing alliance three years ago, the partners paved the way for eventual sale. One can only assume that the recent recovery in plastics prices has improved EVC's operating performance to the point where it can stand alone.

Without a prospectus it is impossible to put a value on the business. The only clues to EVC's trading performance are buried in the associates line of ICI's results, and even these are muddied by transfer pricing. The state of the balance sheet can only be guessed at. Comparable US companies – such as Geon, the PVC specialist floated by its parent last year – are valued at a modest discount to annual turnover. If EVC can convince investors of its determination to cut costs and raise margins towards the US norm, a valuation of over £500m might therefore be achievable. Investors should welcome the chance to own a specialist company rather than the chemicals conglomerates which dominate the European scene.

If such figures prove to be correct, the exercise will leave ICI with next to no net debt. How it plans to flex this financial muscle remain unclear. Investment projects such as building new plant in Asia are laudable but will barely dent free cash flow in the upturn. Having resisted the temptation to sell out at the very bottom of the economic cycle, ICI must avoid reinvesting near the top.

FT-SE Index: 2970.4 (+34.0)



### S&N

The market took a curiously grudging view of yesterday's results from Scottish & Newcastle. If there was a reason for marking the shares down by nearly 1 per cent it was probably the 11 per cent fall in brewing profits. But if that was the worry, it was scarcely logical to mark up Bass by a similar amount. The weak beer market is a problem for everybody. A more plausible explanation is that Scottish has outperformed the sector recently on the back of its purchase of Chef & Brewer. Having presumed that the deal would be made to work, investors were unlikely to be excited by news that everything is going according to plan.

The 5 per cent like-for-like increase in turnover at Chef & Brewer is certainly encouraging, but that probably flowed naturally from the economic upturn in the south of England and a better motivated management. The harder part is yet to come. In particular, Scottish will have to raise the profile of some its brands in the south if it is to reap the full benefits from the deal. McEwan's is not yet highly-prized by beer drinkers in Surrey.

Scottish has other things going its way. There is still lucrative scope to increase food sales in its pubs; continental recovery and heavy bookings at its new Center Parc at Longleat promise to underpin growth in leisure profits. But it will take a year or so to prove that the Chef & Brewer deal was as canny as its decision to get out of hotels and buy Center Parcs. The market does not look in a mood to countenance failure.

### Building materials

Yesterday's sharp rise in many building material companies' share prices rests on rather flimsy foundations. The 13 per cent real increase in sales in May on a year-on-year basis, as recorded by the Builders Merchants Federation, is certainly good news. But the share price responses – Caradon up over 2 per cent, Redland and RMC up more than 3 per cent, and Wolseley and Blue Circle rising over 4 per cent – look overdone.

Drawing conclusions about the future from monthly figures is always risky. It is doubly so when the indicator is a lagging one, as is the case with sales through building merchants. These reflect construction decisions made earlier in the year, principally by house-builders. The snag is that though the housing market started the year in fine fettle, the recovery has recently seemed to falter. Some of the market weakness is undoubtedly seasonal. Housing market activity and prices may perk up again in the autumn. But that remains to be seen.

In the meantime, an important determinant of building material companies' share prices will be interest rate prospects. The best news for the housing market would be if long-term rates fell, bringing down those for fixed-rate mortgages in their trail. That could follow today's meeting of the Fed Open Market Committee and the G7 summit later this week. But it would be rash to count on it.

### Qantas/BA

The Australian government's decision to privatise Qantas early next year could be finely timed. There is an international appetite for airline shares at present which will be given added edge by only 10 per cent of Qantas's stock being offered to foreign investors. Qantas has been restructuring with a vengeance following its merger with Australian Airlines. The industry background is also growing more favourable. The head of the International Air Transport Association yesterday forecast "massive gains" for the industry in 1995 as traffic promised to rise ahead of new capacity.

But there will be considerable nervousness ahead of the sale given the fragility of financial markets. The Australian stock market has fallen 8 per cent this year. By delaying the sale until 1995, the Australian government has left itself no room for manoeuvre if things turn really ugly. Other airlines, such as Lufthansa, which are stacking up to be privatised, will be watching closely. If Qantas cannot be successfully sold then other airlines have no chance.

British Airways, which has already secured a 25 per cent shareholding, will be keen to aid the issue's success to validate its investment. Qantas's privatisation should also enable BA to forge closer links with a more commercially-minded carrier. BA is still aiming to plug a hole in its global alliance by linking up with a carrier in the north Pacific. That could benefit Qantas, too. But BA will have to proceed warily given the worries swirling around its involvement with the troubled USAir.

## FT WEATHER GUIDE

### Europe today

Europe will, in general, be exceptionally warm with temperatures above 30C. Hot and sticky conditions in the west will move into eastern Europe.

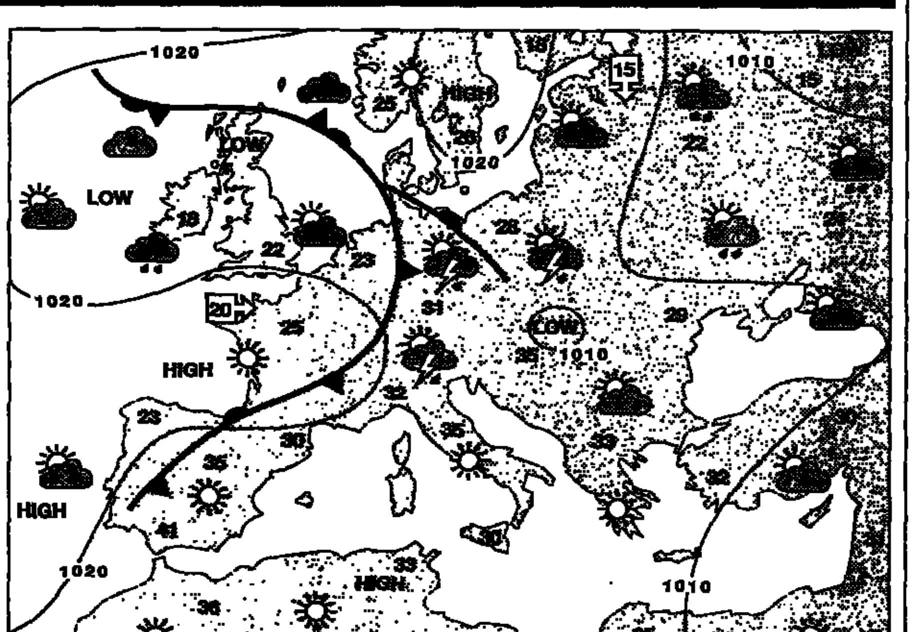
Heavy thunder showers are expected over Denmark, Germany and Austria and there is a risk of flooding. From Poland to Hungary, precipitation will be limited to afternoon thunder showers.

The Mediterranean region will be dry and warm with temperatures in many locations above 35C. Coastal areas will be much cooler. The British Isles will have patchy rain. Temperatures in the Benelux and France will be cooler, but summer-like conditions will continue. It will be dry with comfortable temperatures in the south-west.

### Five-day forecast

Temperatures over Europe will gradually fall to seasonal levels, while heavy rain and thunder storms are likely in central and eastern Europe.

South-eastern Europe will be in the midst of a heat-wave with temperatures rising to 35C-40C over Greece and Turkey. Temperatures in north-eastern Europe will also rise.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | fair | 37 |
| Accra | shower | 27 |
| Algiers | sun | 38 |
| Amsterdam | fair | 22 |
| Athens | sun | 34 |
| Atlanta | thund | 29 |
| B. Aires | fair | 16 |
| B.ham | cloudy | 21 |
| Bangkok | thund | 35 |
| Barcelona | sun | 30 |
| Beijing | fair | 29 |
| Belfast | shower | 19 |
| Belgrade | sun | 36 |
| Berlin | thund | 28 |
| Bermuda | fair | 32 |
| Bogota | shower | 27 |
| Bombay | thund | 28 |
| Brussels | cloudy | 24 |
| Budapest | shower | 36 |
| C.hagen | fair | 23 |
| Cairo | sun | 37 |
| Cape Town | sun | 16 |
| Caracas | fair | 27 |
| Cardiff | shower | 18 |
| Casablanca | sun | 30 |
| Chicago | fair | 32 |
| Cologne | thund | 26 |
| Dakar | fair | 28 |
| Dallas | fair | 35 |
| Delhi | thund | 34 |
| Dubai | cloudy | 40 |
| Dublin | shower | 18 |
| Dubrovnik | fair | 33 |
| Edinburgh | rain | 21 |
| Faro | sun | 32 |
| Frankfurt | thund | 29 |
| Geneva | shower | 29 |
| Gibraltar | fair | 36 |
| Glasgow | rain | 21 |
| Hamburg | thund | 24 |
| Helsinki | fair | 21 |
| Hong Kong | thund | 32 |
| Honolulu | fair | 31 |
| Istanbul | sun | 30 |
| Jakarta | fair | 32 |
| Jersey | cloudy | 20 |
| Karachi | fair | 34 |
| Kuwait | sun | 45 |
| L. Angeles | fair | 21 |
| Las Palmas | sun | 29 |
| Lima | cloudy | 22 |
| Lisbon | fair | 29 |
| London | fair | 23 |
| Lux.bourg | shower | 25 |
| Lyon | fair | 30 |
| Madeira | sun | 27 |
| Madrid | sun | 35 |
| Majorca | sun | 35 |
| Malta | sun | 34 |
| Manchester | cloudy | 20 |
| Manila | thund | 32 |
| Melbourne | fair | 18 |
| Mexico City | thund | 22 |
| Miami | thund | 32 |
| Milan | sun | 35 |
| Montreal | rain | 25 |
| Moscow | shower | 19 |
| Munich | thund | 27 |
| Nairobi | fair | 22 |
| Naples | sun | 33 |
| Nassau | thund | 31 |
| New York | sun | 30 |
| Nice | sun | 29 |
| Nicosia | fair | 32 |
| Oslo | sun | 27 |
| Paris | fair | 25 |
| Perth | shower | 21 |
| Prague | fair | 29 |
| Rangoon | thund | 30 |
| Reykjavik | fair | 17 |
| Rio | rain | 20 |
| Rome | sun | 32 |
| S. Frsco | fair | 21 |
| Seoul | rain | 28 |
| Singapore | fair | 30 |
| Stockholm | fair | 25 |
| Strasbourg | cloudy | 29 |
| Sydney | fair | 22 |
| Tangier | sun | 36 |
| Tel Aviv | sun | 34 |
| Tokyo | cloudy | 31 |
| Toronto | thund | 27 |
| Vancouver | fair | 22 |
| Venice | sun | 33 |
| Vienna | shower | 33 |
| Warsaw | fair | 29 |
| Washington | fair | 31 |
| Wellington | windy | 13 |
| Winnipeg | fair | 23 |
| Zurich | shower | 27 |

FINANCIAL TIMES
# COMPANIES & MARKETS
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IN BRIEF

## Packer to merge listed companies

Mr Kerry Packer, the Australian businessman, unveiled plans to merge his two quoted companies – Nine Network, the television group, and Australian Consolidated Press, the magazines and publishing business – into one listed entity. Page 23

**Western Union sitting pretty**
Western Union enjoys a 90 per cent share of the US market for rapid cash transfers. Five years ago the growth in demand for cash transfers from the US to Mexico, Puerto Rico and other countries with large migrant populations alerted the company to the potential. Page 22

**Swiss bank strikes optimistic note**
Banca del Gottardo, the Swiss bank controlled by Sumitomo Bank of Japan, reported a 10 per cent rise in non-consolidated cash flow and made an optimistic forecast about earnings. Page 22

**Eyes on the prize**
From his modest offices above a Citibank branch in Monterrey, Mexico, Mr Javier Garza Calderón casually explains how he and his partners plan to invest about $10bn in Mexico and Cuba over the next few years. Page 24

**Funds take fresh look at cash**
When negative sentiment takes a grip of markets in the way it has done for most of this year, that old adage "Cash is King" could not be a wiser investment strategy. Page 25

**Distribution helps Menzies advance**
A strong performance from the distribution division was behind a 12 per cent rise in annual profits at John Menzies, the UK wholesale and retail chain. Mr Ranald Noel-Paton, managing director, said the group had produced "solid, sensible results in a difficult year". Page 26

**Lasmo over the moon**
Merchant bankers have been reaching for sporting metaphors when discussing Lasmo's extraordinary victory over the bid from Enterprise Oil of the UK. Page 26

**Coda called to account**
Shares in Coda, the UK accountancy software group, tumbled 56p from 222p after it announced interim losses only five months after coming to the market in February at 235p. Page 26

**Pillar at the crossroads**
Pillar Property Investment, which issued its pathfinder prospectus yesterday, is at an important crossroads. Page 27

**NCP bid may cause MMC referral**
The proposed bid for National Parking Corporation of the UK by a consortium of venture capital investors led by Prudential, the insurance giant, could trigger a reference to the Monopolies and Mergers Commission. Page 27

**Fyffes edges ahead**
A sharp drop in interest income held back profits growth at Fyffes, the European fruit and vegetable distributor. Page 28

**Carclo ahead by 50%**
Carclo Engineering, the UK steel and engineering group, boosted pre-tax profits by 50 per cent. The performance of its Arthur Lee steel and plastic products division dominated the results. Page 29

**Companies in this issue**



**Chief price changes yesterday**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **Falls** | | | |
| **Rises** | | | | AGF | 437.8 | – | 29.2 |
| Asko Prf | 970 | + | 31 | Alcatel Alsthom | 541 | – | 49 |
| Bayer Vereinsbk | 456 | + | 14 | Credit Local | 353 | – | 19 |
| Herlitz | 390 | + | 15 | **TOKYO (Yen)** | | | |
| Varta | 316.5 | + | 11.5 | **Rises** | | | |
| **Falls** | | | | Kyocera | 7500 | + | 60 |
| AG Ind & Verk | 545 | – | 10 | Mitsubishi Oil | 1120 | + | 40 |
| Rheinmetall | 290 | – | 10 | Nikkato | 1590 | + | 20 |
| **PARIS (FFr)** | | | | Oriental Yeast | 972 | + | 100 |
| **Rises** | | | | **Falls** | | | |
| AXA | 232.8 | + | 10.5 | Bank Of Kinki | 670 | – | 30 |
| Elf Sanofi | 870 | + | 25 | Mitsui Mining | 416 | – | 4 |
| Essilor | 722 | + | 24.9 | | | | |

New York closed.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | Rolls-Royce | 181 | + | 6 |
| Acorn Computer | 80 | + | 7 | Securicor A | 820 | + | 28 |
| Antrim | 70 | + | 8 | Shanks McEwan | 89xd | + | 5 |
| Blue Circle | 304 | + | 13 | Wolseley | 772 | + | 32 |
| Booth Inds | 95 | + | 10 | **Falls** | | | |
| Brit Bloodstock | 107 | + | 13 | Ashley (Laura) | 68 | – | 5 |
| Chiltern Radio | 283 | + | 10 | Caldwell | 49 | – | 9 |
| Coal Invs | 83 | + | 7 | Casket | 35½ | – | 3 |
| Eurotunnel Uts | 275 | + | 15 | Coda | 168 | – | 54 |
| Holmes Protectn | 24 | + | 5 | Hartstone | 34 | – | 3½ |
| Kentrey | 14½ | + | 3½ | Heritage | 60 | – | 14 |
| Legal & General | 436 | + | 13 | Sidlaw | 277 | – | 9 |
| MAID | 55 | + | 9 | | | | |
| RMC | 983 | + | 29 | | | | |

# AGF sell-off confirmation by chairman

By Alice Rawsthorn in Paris

The French government plans to proceed with the privatisation this autumn of Assurances Générales de France (AGF), the country's third largest insurer, despite the recent weakness of the Paris stock market, according to its chairman, Mr Antoine Jeancourt-Gagliani.

AGF, like many French companies, has suffered a steep slide in its share price since the start of this year. Yet Mr Jeancourt-Gagliani stressed in a French press interview that the 30 per cent fall in its valuation was "identical to that of other insurers" and was "not a sufficient reason for postponing privatisation".

Speculation has mounted in recent weeks that the Balladur government, which has already privatised a number of large financial groups including Banque Nationale de Paris (BNP) and Union des Assurances de Paris (UAP), might be forced to delay the AGF sale because of adverse market conditions.

However, Mr Jeancourt-Gagliani said he had received "total confirmation" that the government intended to proceed with the share sale this autumn.

AGF was originally earmarked for privatisation by the last French centre-right government in its mid-1980s asset sales programme. But the issue was put on ice after the stock market crash in October 1987. Mr Gagliani noted that the group had "suffered greatly" as a result ofthat delay.

He also sought to allay concern about AGF's financial performance by denying rumours that it had lost money from bond futures trading on the Matif, the Paris futures market. "AGF hasn't made a loss on the Matif for the good reason that it is not a player in that market, except in a marginal way for some funds," he said.

Mr Jeancourt-Gagliani confirmed that the group does expect to register a reduced loss this year from Banque du Phénix and Comptoir des Entrepreneurs, its troubled banking subsidiaries. Last year both companies were last year badly affected by the problems of the French property sector, thereby contributing to an overall 35 per cent decline in AGF's net income to FFr977m ($175m) in 1993.

# RWE forecasts 'slight' rise in profits for year

By Michael Lindemann in Bonn

RWE, Germany's largest utility, yesterday said profits for the year ended June would improve "slightly" on the previous year's earnings of DM881m ($540.4m) and forecast strong earnings in the coming year from new telecommunications business.

The electricity group said it was likely to increase its DM12 dividend for 1993-94 but gave no further details. Group turnover last year rose 5.2 per cent to DM55.8bn with foreign turnover making up 17.3 per cent.

RWE said the improved turnover was due to the first-time consolidation of several companies into the mineral resources and chemicals divisions. Turnover would have risen 2.5 per cent without the consolidation measures.

The group said its worst results came from its waste management activities, where it made an unspecified loss which it blamed on competition and technical problems. Waste management is the smallest of the group's six divisions, but turnover rose 41.7 per cent to DM1bn, up from DM0.7bn the year before.

A consortium led by RWE won a bid for a data transmission network, pitching the Essen-based group in to the rapidly expanding market, estimated to be worth DM2bn annually.

Sales of oils and chemicals, the group's largest division, "improved significantly", helped by stronger demand in eastern Germany. Profit margins in refining had improved but margins on oil sales were "unsatisfactory".

The group spent a record DM7.1bn, mainly on regional power utilities in the five eastern Länder where it is now a significant operator. Electricity sales, though, rose only slightly due to slack demand as German industry pulled out of its worst postwar recession.

Hochtief, the construction subsidiary, also spent an unspecified amount to take an almost 50 per cent stake in Ballast Nedam, the Dutch construction group.

Ongoing restructuring meant there were further redundancies in several divisions. Only the construction division employed more people during the year following an almost 20 per cent increase in orders. The group now employs 118,000, up 4,300.

# Burda negotiating 25.1% holding in ailing Vox station

By Quentin Peel in Bonn and David Waller in Frankfurt

Burda, the German magazine publishing group, confirmed yesterday that it was negotiating to acquire a 25.1 per cent stake in the ailing Vox television station, to join Mr Rupert Murdoch's News Corporation and the Bertelsmann media group as a leading shareholder.

The company said it was negotiating with state regulators in North Rhine-Westphalia to acquire "a relatively big interest" in the station, which went into liquidation earlier this year.

If successful, the move would bring back together the Murdoch group and Burda, which publishes fashion and popular magazines, as well as the conservative weekly magazine Focus.

It would also appear to rule out a participation by the Compagnie Luxembourgeoise de Télédiffusion (CLT), which jointly owns RTL, Germany's most profitable private broadcaster, with Bertelsmann. CLT had been rumoured to be bidding for a stake.

The takeover by the Murdoch group of its controlling stake in the television station could run into problems, notably potential infringement of Germany's strict broadcasting regulations.

Bertelsmann has been involved in an urgent exercise to save the station and its potentially lucrative access to the cable and satellite television market in Germany, since the original shareholders pulled out earlier this year. The station has continued to broadcast with a skeleton staff in order to maintain its broadcasting licence.

Now Mr Friedrich Nowottny, director-general of Westdeutscher Rundfunk, the main public television broadcaster based, like Vox, in Cologne, has demanded that Vox should lose its broadcasting licence, in view of the dissolution of its original shareholding.

"If the law governing the commercial media has any sense, then the Vox licence should now be put out to tender again," he said. This would require the new owners to redefine their ambitions for the station, which was originally supposed to offer a serious combination of information and entertainment.

Meanwhile, Mr Mark Wössner, chief executive of Bertelsmann, confirmed in an interview published yesterday that his company had suffered a loss of around DM450m ($276m) because of its Vox participation, of which DM350m would be charged to the accounts in the current year.

## The German carmaking industry has some reason for optimism but the 'all-clear' has yet to be sounded, writes David Waller

# Light flickers at the end of the autobahn

Last year was an unrelenting chronicle of bad news for the German car sector – a story of plunging order books, big losses and massive job cuts. "The worst year in a decade," mused Mr David Herman, chairman of Adam Opel, General Motors' German subsidiary, last week.

Now, halfway through the current year, Germany's car industry executives are beginning to feel that the worst is behind them. If the mood is not exactly one of unqualified optimism, there are definite signs that the largest vehicle market in Europe is staging a steady recovery.

Here are some recent developments:

- German car production increased by 15 per cent in May, to 353,400 vehicles and for the first five months of a year in total, car production rose by 2 per cent to 1.69m, reversing the downwards trend of the previous four months.
- Ford-Werke, the German subsidiary of the US motor group, said last week that it would make a profit of at least DM100m ($61m) in the current year after incurring losses in both 1992 and 1993.
- Also last week, Adam Opel said it expected a "dramatic improvement" in 1994 – but hinted that it was unlikely to move back into the black this year after losing more than DM500m at the operating level in 1993.
- Mercedes-Benz, the Daimler-Benz vehicle subsidiary, said recently that sales of its new cars within Germany rose by 41.5 per cent in the first five months of the year, while in May alone the increase was more than 50 per cent.
- At Volkswagen, sales of the VW marque were up 0.7 per cent in the five months and by 11.5 per cent in May alone. Last week Audi, VW's up-market subsidiary, reported that sales to export markets rose 14 per cent in the first six months.

BMW, the company which has proved itself most resilient to the downturn, held unit sales steady at around last year's levels.

- German manufacturers have enjoyed a sudden revival in overseas sales, particularly in the important US market where VW's sales, for example, more than doubled to nearly 22,000 cars in the first five months.

Porsche, the sports car manufacturer, said on Friday that its sales in the US would increase by 35 per cent this year.

This combination of positive factors has led General Motors to revise upwards its 1994 forecast for the German market as a whole: GM now expects sales to be roughly the same as last year when they dropped to 3.19m, a steep decline from the 3.93m cars sold in 1992. The original forecast was for a further decline, to 3m units.

However, the modest improvement in the outlook does not yet signal the all-clear for the German car industry, for two reasons. The first is that the increase in unit sales in Germany may not translate into a surge in profitability. Mercedes, for example, owes the dramatic increase in sales to the new C-Class model, which is selling at five times the sales last year of the 190 model which it replaced.

The new cars are being sold at what analysts estimate to be an average price of DM44,500 per car, lower than the DM50,000 which Mercedes hoped to achieve when developing the model. There is no doubting the popularity of the car with consumers, but it remains to be seen if the new model will reach its break-even level this year with production set to rise to more than 200,000 after 164,000 in 1993.

The second cloud on the horizon is costs: Mr Stephen Reitman, analyst at UBS in London, says German car companies still lag their international competitors. "In terms of productivity measures such as the number of vehicles produced per year per man and the cost per vehicle, the German companies trail behind," he says.

This is in spite of the aggressive cost-cutting implemented by German manufacturers in the past 18 months: Daimler-Benz said it reduced its costs by DM5bn last year, with most of its rationalisation measures falling at Mercedes where the plan was to cut 42,500 jobs between 1992 and 1995. Volkswagen cut its domestic workforce by nearly 9 per cent last year and aims to save DM3bn in personnel costs this year by introducing a four-day working week.

Mr José Ignacio López de Arriortúa, the former GM director who defected to VW last year, is thought to have squeezed cost reductions of DM5bn to DM6bn by putting pressure on suppliers. VW has increased component sourcing from abroad, reduced the number of suppliers it uses and bullied those that are left into charging less for their products.

But "even VW has only half grasped the nettle", says one analyst, alluding to the four-day week programme. This covers 30,000 workers and runs until the end of next year. "There is unlikely to be an explosion in production so VW will end up facing the same overmanning problems as before," the analyst said.

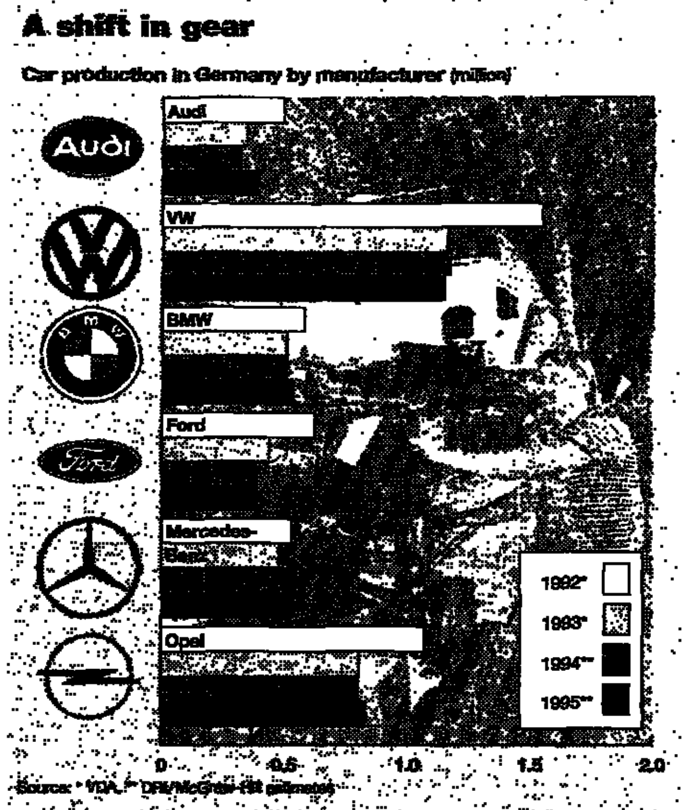
The only answer to the competitive pressure will be "more of the same" – further job cuts, further pressure on costs, a further shift of production out of Germany. This is likely to prove difficult for German companies operating in a "social market economy", especially in the early stages of an economic recovery when employees are likely to prove reluctant to make sacrifices that were bearable in a recession.

If the outlook for car manufacturers is fraught with challenge, for their suppliers there are "sweat and tears" ahead, according to Mr Rainer Thieme, deputy president of the the VDA motor industry association which represents suppliers to the big car manufacturers.

He said last month that despite the painful adjustments necessary in the wake of the manufacturers' cost-cutting measures, suppliers had only completed half the rationalisation necessary to guarantee survival over the medium-term. Job cuts in the sector will not stop at the 50,000 jobs lost since 1990-91, and many suppliers will be rationalised out of existence.

**A shift in gear**

Car production in Germany by manufacturer (million)




Source: * VDA, ** DRI/McGraw-Hill estimates

**West European new car registrations, January-May 1994**

| | Volume (Units) | Volume change from previous year (%) |
|---|---|---|
| Germany | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] |
| United Kingdom | [illegible] | [illegible] |
| France | [illegible] | [illegible] |
| Spain | [illegible] | [illegible] |

Source: Industry Estimates

# Brewer lifted 22% by purchase of pub chain

By Tony Jackson in London

A strong first-time contribution from the Chef & Brewer pub acquisition helped Scottish & Newcastle, the UK drinks and leisure group, to a 22 per cent rise in pre-tax profit for the year to May 1, to £222m ($337m). However, earnings per share rose only 1.2 per cent, as a result of the rights issue which helped finance the £700m deal.

A six-month contribution of £32.3m in operating profit from Chef & Brewer, together with an 8 per cent rise in profits from leisure, more than offset a sharp fall of 11 per cent in brewing. Mr Brian Stewart, chief executive, said that while beer sales had fallen 2 per cent in the year, volume in the current year was up 4 per cent.

In the leisure division, Center Parcs had done well in the UK, but occupancy in France fell from 94 per cent to 85 per cent. Mr Stewart said that recovery in mainland Europe varied between countries.

The retail division (excluding Chef & Brewer) had sales of £290.8m (£289.3m), and operating profit of £56.4m (£53.3m). Chef & Brewer's sales in the second half were £230.6m and operating profits £32.3m.

Beer sales were £870.9m (£889.2m) and profits were £86.0m (£96.2m). Leisure contributed £83.1m profit (£77.0m) on sales of £367.5m (£335.4m).

After interest charges were £37.6m (£26.1m). Earnings per share were 33.1p (32.7p). The final dividend was raised 5.5 per cent to 11.26p, making 17.04p (16.23p) for the year, a rise of 5.1 per cent. The shares fell 3p to 501p.

Lex, Page 20

# Optimistic note struck by Banco del Gottardo

By Ian Rodger in Zurich

Banca del Gottardo, the Swiss bank controlled by Sumitomo Bank of Japan, yesterday reported a 10 per cent rise in non-consolidated cash flow in the first half to SFr67.8m, ($49.4m) and made an optimistic forecast about earnings for the full year.

The bank, which is aiming to place 100,000 existing participation certificates in the next few days, said revenues from asset management were up 18 per cent while those from stock trading and new-issue commission income were up 11 per cent. No figures were given.

Foreign exchange activity remained at the levels achieved last year but income from lending and securities investment was down.

The 3 per cent rise in costs was in line with expectations.

Gottardo said its affiliates also reported positive results, especially InterEuropa SIM in Milan, Banque du Gotthard (Monaco) and Gotthardfin in the Cayman Islands.

The bank said prospects for the full year were "moderately positive" considering the uncertainties in foreign exchange and financial markets and questions over the trend of interest rates.

At the end of June, Gottardo's assets stood at SFr7.74bn compared with SFr7.59bn at the end of 1993.

In June the bank said its operating profit had risen 8 per cent and cash flow had gained 14 per cent in the first five months of the current year.

# Management shuffle at UK retail chains

By Neil Buckley in London

Two of the UK's largest clothing retailers reshuffled their top executives yesterday as Mr Richard North resigned as finance director of Burton group, to be replaced by Mr Andrew Higginson, finance director of Laura Ashley.

In a separate move, Laura Ashley appointed Mr Graham Searle, currently non-executive deputy chairman, as managing director.

Mr North, hired by Burton in 1991 from Coopers & Lybrand, said he was leaving because his task of sorting out Burton's financial problems was complete, and he wanted a new challenge.

Sir John Hoskyns, Burton's chairman, said Mr North's departure had been mutually agreed, and he was receiving a bonus of 12 months' salary – nearly £250,000. "We always knew Richard was a special horse for a particular course," Sir John said.

Mr North retains a 12-month consultancy contract, worth £60,000, with the Burton group.

"I only wanted to go when I had completed the job, and was seen to have completed the job," he said. That job involved reducing debts of £800m three years ago to £50m, and gearing from 100 per cent to 6 per cent, through two rights issues, the sale of the Harvey Nichols store in Knightsbridge for £60m, and other property deals. The last was the sale in May of Burton's four remaining shopping centres to Prudential for £153m.

Mr North is credited with having improved both the "reality and perception" of Burton's accounting, as one analyst put it.

His successor Mr Andrew Higginson, 36, has 14 years' experience at Unilever, Guinness, and Laura Ashley. Mr Higginson's departure contributed to a 5p fall in Laura Ashley shares to 68p in London yesterday, as it announced it was appointing Mr Graham Searle – who joined last month as non-executive deputy chairman – as managing director.

## NEWS DIGEST

### Arbed mulls capital issue for investment

Arbed, the Luxembourg steelmaker, is considering a capital issue to finance an investment programme, Reuter reports from Brussels.

"The board of directors of Arbed has asked management to evaluate different possibilities to raise the share capital of the company during the forthcoming months," Arbed said.

It said money raised from the capital issue would serve partially to finance a group investment programme. The company gave no further details and did not indicate how much Arbed planned to raise.

### Dutch group plans Bulgarian expansion

Internationale Nederlanden Groep is to establish a full banking operation in Bulgaria, Reuter reports. ING Bank, which is to form a bank in Romania, is the first large international bank to which such a licence has been granted.

### Takeover of Danish stockbroker

Benzon & Benzon, the Copenhagen stockbroker which suspended payments last week, will be acquired by Girobank, the state-controlled bank, writes Hilary Barnes in Copenhagen.

Benzon & Benzon, one of the few remaining Copenhagen stockbroking firms not controlled by a commercial bank, suspended payments when its parent company, Benzon Bankier, filed for bankruptcy.

### Generali in control at Swiss insurer

Generali, the Italian insurance group, has taken control of Swiss insurer Fortuna, Reuter reports.

Generali has acquired 27.7 per cent of Fortuna's capital and 55.5 per cent of the shares with voting rights attached. The purchase price was not disclosed. The deal has to be approved by Swiss and European Union authorities.

# Western Union banks on a rapid transfer

## The movement of cash is expanding in emerging economies, writes Anthony Robinson

For generations of Americans, Western Union means money in a hurry, especially to the 25 per cent of the US population without a bank account. The company, now owned by New Valley Corporation, enjoys a 90 per cent share of the US market for rapid cash transfers.

Many of America's unbanked, mainly lower paid or irregular workers, are immigrants for whom low hassle cash transfer provides the basic service they most want – a fast, sure way of transferring cash to the family back home.

Five years ago the growth in demand for cash transfers from the US to Mexico, Puerto Rico and other countries with large migrant populations alerted the company to the wider potential in servicing ethnic communities around the world.

Starting with Central America the company has rapidly expanded operations to the rest of Latin America, the Far East, Africa and the Middle East, so adding a new dimension to its traditional overseas operations – providing emergency cash transfers to tourists and others, including US military personnel, businessmen and students.

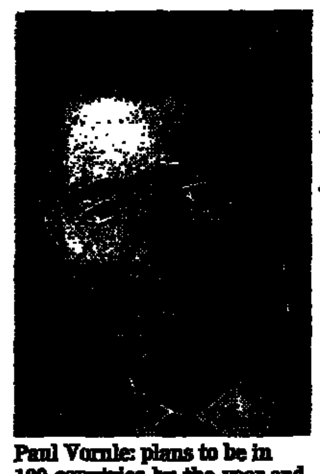
The collapse of the Soviet Union and the re-integration of the former communist states into the global economy, provided another opportunity to expand operations and acquire the capacity to transfer funds globally.

The company now operates in eight of the former Soviet republics and all three Baltic states. This week it added Slovenia and Hungary, bringing to 75 the number of countries served by Western Union Financial Services International (WUFSI), a subsidiary set up up four years ago to develop the company's overseas interests.

International operations are both fast-growing and profitable. Last year the company handled over 18m individual transfers involving more than $5bn. Operating profits rose to $101m from $90m on revenues of $438m up from $401m. This year turnover is expected to exceed $500m.

In London for a board meeting last week Mr Paul Vornle, president of WUFSI, said the company intended to be operational in 100 countries by the end of this year. It is negotiating to open up in potentially the biggest market of all, the unbanked millions of far-flung China plus the flow of remittances from the many millions of overseas Chinese.

The numbers involved in these ethnic niche markets, can be substantial, like the near 4m Filipinos in the US or the 300,000 Albanian "boat people" who fled as penniless refugees from the collapsing communist dictatorship in 1991 but last year sent $330m back to relatives. Millions of overseas Indians, including the discreet and wealthy Indian population in South Africa, as well as the UK, the US and Africa have



Paul Vornle: plans to be in 100 countries by the year-end

also become an important target market as Western Union goes global.

But, as the company's recent rapid growth in Europe testifies, there is still plenty of scope for growth even in relatively sophisticated markets.

"A recent European Commission study on the European banking system strongly criticised the cost and inefficiency of money transfers through the banking system. We pay out within minutes of funds being placed with us. It can't get lost. Each transaction is separate and the cash can only be in two places – either with Western Union or in the hands of the client," says Mr Vornle. "We do not transfer money, just information," he adds.

The simplicity of the transaction – a sender deposits cash at one of 24,000 money transfer locations worldwide for a recipient to pick up in local currency and with the minimum of form-filling – requires as many branches as possible which can be relied upon to keep sufficient sums of cash on hand and remain open for as long as possible.

The company has set up its black and yellow nameplate in supermarkets, street-corner stores, military bases, student unions and other sites accessible to long-distance workers as the inevitable annual crop of tourists who lose their wallets or need immediate cash from home for any number of different reasons.

It also works closely with credit card companies which are fast extending their operations to former unbanked areas such as the former Soviet bloc. Visa, for example, which has worked with Western Union for 15 years, has introduced its credit cards to Latvia, Belarus, Estonia and Uzbekistan over the past month alone.

In Russia, virtually unbanked five years ago, apart from thousands of primitive savings bank branches, WUFSI chose Mezheconomsberbank, the Moscow-based International joint Stock Bank of Savings Banks, as its joint venture partner two years ago.

"The bank has 47 locations all over the former Soviet Union at which it is possible to transfer and receive cash, and this will be up to 100 by the end of the year," says Mr Vladimir Kolbaev, chairman of the bank, which has the savings banks from 13 former Soviet republics and nine of the biggest Russian commercial banks among its shareholders.

"We started working with Western Union in 1991 because we believed we could do profitable business if it was well organised, and so it proved," Mr Kolbaev says. "We not only transfer funds into Russia but also transfer substantial amounts of roubles abroad for commercial companies as well as individuals," he adds.

Funds transferred in this way make up only a small part of the $15bn to $20bn annually which left Russia clandestinely over the past two years. But with so much Russian money now in Russian-owned accounts in western banks, and with most Russian banks enjoying an unenviable reputation for losing and misplacing funds, the scope for money transfers through the Western Union system is expanding fast.

To ensure that its fast cash, few questions asked facilities do not attract money-launderers, Western Union keeps a small army of former secret service agents on the payroll – and US transfers have to abide by the general rule that all cash transactions over $10,000 have to be notified to the Internal Revenue Service.

# MFI posts sharp recovery

By David Wighton in London

MFI, the UK furniture retailer and manufacturer, reported a sharp recovery in profits to £87.8m ($133.45m) in the 53 weeks to April, from £15.5m, and said that sales were currently running 13 per cent ahead of last year.

The company also announced an acceleration of its expansion in France. Mr Derek Hunt, chairman, said: "We are increasingly confident we can establish a major chain in France."

In the UK, MFI experienced a slowdown in sales of kitchens and bedrooms at the end of the period. But this proved short-lived and growth has since picked up strongly.

Excluding the 53rd week, turnover rose 7 per cent with sales per square foot up 8 per cent.

Gross margins slipped to 55.9 per cent from 57.3 per cent due to strong growth in lower margin products.

Adjusting for the impact of MFI's flotation the previous year, operating profit rose 45 per cent to £73.3m and pre-tax profit, including the £19.6m contribution from the sale of the stake in Carpetright, more than doubled before taking account of flotation.

The disposal helped to cut gearing from 52 per cent to 9 per cent.

Capital expenditure was up almost a fifth at £27.5m and is budgeted to increase by more than 30 per cent this year. MFI plans to add 9 stores to its 176 in the UK, in addition to the expansion in France.

A final dividend of 2.67p gives a total of 4p, which was covered 1.9 times by earnings, excluding exceptional items, of 7.7p, against 4.5p. The shares added 3p to 142p.

French expansion, Page 27

# ISS makes acquisitions in France and Portugal

By Hilary Barnes in Copenhagen

ISS International Service System, the Danish cleaning group with about 120,000 people on its payroll in Europe and the US, yesterday announced acquisitions in France and Portugal.

In France, ISS is to take over Net Inter, a contract cleaning company whose customers include Roissy airport, the French finance ministry, and Total, the oil group.

ISS, which has annual turnover of about DKr13.3bn ($2.12bn), said Net Inter has 1,000 employees and a turnover of FFr108m ($19.4m).

In Portugal, ISS acquired the contract portfolio and assets of Algarlimpa, a cleaning company operating in the Algarve and southern Portugal. Algarlimpa has 400 employees and a turnover of Es380m ($2.3m).

The acquisition of Algarlimpa will make ISS the third largest cleaning company in Portugal with 1,400 employees and a turnover of DKr50m, said ISS.

Prices of the deals were not disclosed.

# Packer to merge his TV and media companies

By Nikki Tait in Sydney

Mr Kerry Packer, the Australian businessman, yesterday unveiled plans to merge his two quoted companies – Nine Network, the television group, and Australian Consolidated Press, the magazines and publishing business – into one listed entity with an estimated market capitalisation of more than A$2bn (US$1.4bn).

The deal will be effected by schemes of arrangements, between Nine and its shareholders, and between ACP and its investors. These will give ACP shareholders one preferred share in Nine for each ACP share held, and allow ACP to become a wholly-owned subsidiary of Nine.

Once the transaction is complete, Nine will comprise three divisions – ACP, Nine Network, and investments – and have shareholders' funds of about A$1.7bn. Mr Packer will become chairman, and Mr Brian Powers managing director. Mr Bruce Gyngell will continue to head the television business, while Mr Nick Falloon will be finance director for the combined group.

The Packer companies yesterday estimated that market capitalisation of the combined group would be about A$2.3bn. The deal is conditional on approvals from ACP and Nine shareholders, other than Mr Packer's privately-owned Consolidated Press group which has substantial minority stakes in both groups.

Mr Packer claimed that the merger would bring joint marketing opportunities and that the increased size of the group would allow it to pursue acquisitions more easily. Shares in the combined group would also have greater liquidity: "With Conspress holding substantial stakes in both ACP and Nine, the restricted size of the public shareholding ... has been a concern in the marketplace," he commented. ConsPress will hold 45.7 per cent of the combined group.

The new preferred shares in Nine will have the same rights as existing ordinary shares in Nine, but will also carry a preferential right to a minimum annual dividend of 24 cents for the 1994 and 1995 financial years. Nine's current annual dividend is 14 cents. ACP shareholders will also receive a 10 cent final dividend making a total of 24 cents for 1994.

# Good first half for S African fruiterer

By Mark Suzman in Johannesburg

Improved sales and rising pineapple prices helped Del Monte Royal Foods (Delfood), the South Africa-based international fruit products company, to achieve a 9.5 per cent rise in first-half attributable earnings to R90.1m ($24.7m) against R82.2m for the corresponding period last year.

Although conditions remained difficult in the first quarter, sales volumes rose significantly in the second quarter and turnover rose 8 per cent to R701.1m from R651.3m. However, operating income at R110.75m was only slightly up from R110.23 a year ago.

A dividend of 8.5 cents, up from 8 cents, was declared. Interest charges rose to R27.9m from R20.5m due to temporary working capital requirements, but this was offset by a substantial drop in tax to R1.47m from R17.52m.

Delfood says it anticipates further improvement on last year's figures due to the growing economic recovery in main markets, and it has expanded into new products and new geographic regions over the past six months.

New projects have included entry into Spain and Portugal, expansion in France and the UK, and licensing agreements to launch a full product range in Israel and fruit juices in Saudi Arabia.

# State-owned Korean groups most profitable

By John Burton in Seoul

Four state-controlled companies reported the biggest net profits in South Korea last year, while three trading companies had the largest turnover, according to an analysis by the Korea Management Association.

Korea Telecom, which is gradually being privatised, had the highest profits at Won470bn ($583.8m). Korea Electric Power and Pohang Iron & Steel, both stock exchange listed, had net profits of Won419bn and Won295bn respectively. Korea Heavy Industries & Construction followed with Won247bn.

Hyundai Heavy Industries, the country's leading shipbuilder, had the biggest net profits in the private industrial sector at Won221bn. Samsung Corporation, trading arm of the Samsung group, had the largest sales at Won13,321bn.

The trading subsidiaries of Hyundai and Daewoo followed at Won11,046bn and Won9,534bn respectively, while Samsung Life Insurance ranked fourth at Won8,863bn.

Samsung Electronics had the largest sales among manufacturers, with Won8,155bn.

# BHP eyes potential in power generation

By Nikki Tait

Mr John Prescott, chief executive of Broken Hill Proprietary, said yesterday that the large Australian steel and resources group had the financial strength to undertake a large acquisition should a suitable opportunity arise.

At the the company's annual presentation, following the release of year-end results on Friday, analysts were also told that BHP was anxious to avoid seeing gearing drop to a point where it had "a lazy balance sheet".

BHP gave no firm indications of what deals it might entertain, but a number of executives – including Mr Prescott – stressed the potential which the group saw in the power generation business, especially in Asia and South America, and in the continued diversification of both its minerals and petroleum divisions.

Mr Jerry Ellis, executive general manager of the BHP minerals unit, said later that the former division was aiming to double profit by the year 2000.

Mr Prescott also stressed again that BHP planned to hold its minority stake in Foster's Brewing Company, the Australian brewery group which owns Courage in the UK, for the long-term.

● Star Mining, the Australian exploration company, plans to contribute a further US$5m to the "charter capital" of Lenzoloto, the state-controlled Siberian gold mining company with which it hopes jointly to develop the large Sukhoi Log gold project.

The additional investment follows written confirmation from GKI, the Russian government agency, that a decree has been drawn up resolving the future structure of Lenzoloto.

Star will be the joint stock company's foreign investor, with a one-third stake. The Irkutsk government and the Russian ministry of atomic energy will also become shareholders.

Star's ultimate plan is to raise Lenzoloto's annual gold production from 350,000 ounces at present, to around 2m ounces in six years. The Australian-listed company is expected to arrange for injection of around US$250m in order to achieve this.

# Qantas flotation early next year

Qantas, the government-owned Australian airline in which British Airways holds a minority stake, is to be privatised in the first half of 1995, writes Nikki Tait. Mr Kim Beazley, finance minister, said yesterday that the timing was "likely to maximise proceeds" for the federal government.

In its recent budget, the government had confirmed the sale would go ahead in the current fiscal year, but gave no specific timing.

See Lex

# Garza's Cuban venture gives his empire a new look

## The Mexican businessman is planning to invest about $2.2bn in the island's telephone system, reports Damian Fraser

From his modest offices above a Citibank branch in Monterrey, Mexico, Mr Javier Garza Calderón casually explains how he and his partners plan to invest about $10bn *in Mexico* and Cuba over the next few years.

About $2.2bn will be spent on *Cuba's national telephone* system, 49 per cent of which he bought a couple of weeks ago. Another $4.2bn will be invested in telecommunications and television in Mexico.

The rest will go in mobile energy plants for Mexican businesses, toxic and non-toxic waste dumps, water treatment plants, and other environmental projects.

Such talk may seem fanciful, but Mr Garza has plenty of money and is politically well-connected.

He is a member of the wealthy Garza family of Monterrey, and he and his father recently sold their 47 per cent stake in Grupo Visa, one of Mexico's largest conglomerates, for a reported $400m.

They disposed of 28 supermarkets, other real estate and agriculture assets, and sold their interest in a cellular telephone company for a reported $100m.

"We decided to get out of mature markets that my family was in and invest in new-age industries," explains the 44-year-old Mr Garza. He says his Grupo Domos has about $1bn of capital, much of which appears to be in cash.

Mr Garza has something to prove. He and his father sold *the stake in* Visa after losing a takeover battle with their cousin, Mr Eugenio Garza Laguera.

The two failed to obtain Teléfonos de Mexico (Telmex), bidding slightly less than the winner (a group led by Mr Carlos Slim) when the utility was privatised.

**Mr Garza has something to prove. He and his father sold their 47 per cent stake in Grupo Visa, one of Mexico's largest conglomerates, after losing a takeover battle with their cousin, Mr Eugenio Garza Laguera. They also failed to obtain Telmex, bidding slightly less than the winner when the utility was privatised**

Some suggest Mr Garza is throwing his money around to show that he can be as successful as some of his relatives.

"He is desperate to put his footprint on the Monterrey scene," says an executive with a rival family company. "Right now he is just known for being his father's son and a friend of the *president*."

Mr Garza is looking for partners in his businesses, to provide both equity and expertise. He has signed joint ventures with Houston-based Browning Ferries Industries (BFI), the world's second-largest waste management company; BellSouth, in wireless telephone *systems; Southern Pacific, in a* private telephone network; and expects to announce soon his partner or partners for a long-distance telephone service.

"What we provide is experience in doing business in Mexico, relations with the public and private sector, knowledge of the labour market which goes back 100 years, and capital," says Mr Garza. He adds that he has about 200 to 300 people working with him, but says he cannot recall the exact number because the business *is growing so fast*.

The Cuba investment is perhaps the most ambitious.

Mr Garza says he first considered doing business in Cuba about four years ago.

In January this year, when Iusacell, a Mexican telecommunications company, pulled out of a deal to buy a stake in *Emtel, Cuba's telephone* company, he agreed to take its place. Grupo Domos agreed to *pay $1.44bn for 49 per cent of* the company, of which about $200m will be obtained in a *swap deal liquidating Cuba's* debt with Mexico.

Domos will invest another $734m over seven years in modernising the company, a sum to be matched by Emtel. Domos hopes this month to sell 49 per cent of its stake to a foreign partner. Three European companies and one Canadian company have shown interest.

Mr Garza claims revenues from international telephone calls will pay for his investment.

He says such calls generate about $400m a year, but will increase once the US, as agreed in principle, lifts the ban on dollar payments to Cuba for telephone calls, and when, as promised, a fibre-optic cable is built between Florida and Cuba. Currently most calls between the US and Cuba are *made via Canada*.

Javier Garza Calderón: rich and politically well-connected

Domos and Emtel promise to install about 1m new telephone lines within seven years, more than double the existing number.

*Mr Garza says the company* will use so-called personal communications systems (PCS), or cellular wireless technology, when installing the lines, which will cut sharply the cost of local networks.

"Cuba will be the first country *in the America to have* PCS," he claims.

In Mexico, Mr Garza is confident there is room for at least three telecommunications companies the size of Telmex.

If given regulatory go-ahead, he plans to invest $2.5bn in building a long-distance network to compete with Telmex, $1.2bn in establishing a personal communications system, and another $340m in building a private network alongside Mexico's railway tracks.

Undeterred that at least half a dozen other companies have *similar plans, Mr Garza says* he is willing to work with rivals.

He is in talks about joining forces with Pulsar and Alfa, two Monterrey companies controlled by relatives. He says he is discussing with other rivals ways of avoiding duplicating their investments by sharing cables.

After talking about his investments for several hours, Mr Garza compares himself to Isaac Garza, his great grandfather who began what became the Monterrey group, once Mexico's largest industrial concern.

Mr Garza has yet to run a large company, and his businesses are mostly plans, but there can be little doubt he is thinking big.

# Australian stock market launches 100 share index

By Nikki Tait in Sydney

The Australian Stock Exchange yesterday launched an index, called the ASX100.

The aim of the index is to give institutional fund managers a better indication of how portfolios based on the leading big company shares are performing than the current All-Ordinaries Index.

The All-Ordinaries Index is made up of 305 stocks at present. However, according to Mr Richard Humphry, *managing* director of the ASX, equity portfolios held by both local and *overseas institutional* investors typically contain about 30 to 40 of the top 100 stocks.

The new index is designed to provide them with a better match.

In addition, the ASX claims the index could prove particularly useful for managers of index funds, who aim to have portfolios which duplicate the main market index as closely as possible.

The index is made up of the stocks in the existing 50 Leaders Index, and then adds the next 50 largest stocks based on market capitalisation and liquidity.

At end-June, the resulting 100 stocks accounted for 87 per cent of the All-Ordinaries Index and 80 per cent of the Australian equities market by capitalisation.

About two-thirds of the ASX100 is accounted for by industrial stocks, as opposed to resource *shares*.

The ASX plans to follow up the move with a series of indices, dividing the market into three components (top, medium and small stocks) and into industrial and resources group.

All will have a base date of December 31, 1990.



# Divestment of Air Jamaica postponed

By Canute James in Kingston

The divestment of Air Jamaica has been delayed by three months following changes in the the consortium purchasing the airline from the island's *government. The disposal* was to have been completed last week.

*The Air Jamaica Acquisition* Group, which is purchasing a 70 per cent stake in the troubled airline for US$26.25m, asked for more time to study the company's operations and plan its development, said Mr Horace Clarke, Jamaica's transport minister.

The government would operate the airline until September 30, and the new owners would take over on October 1, he said.

The delay followed the *departure from the consortium* of Cochrane Investments of Toronto, which was to have taken about a quarter of the consortium's stake. Two local investors, who were to have bought a 5 per cent interest, have also pulled out.

Their combined 30 per cent stake has been taken up by Mr Gordon Stewart, a leading hotelier in the Caribbean.

# Reichmann recruits Soros aide

By Bernard Simon in Toronto

Mr Paul Reichmann's efforts to resurrect his family's property empire took another step forward with the appointment of two experienced executives to senior posts in recently-formed Reichmann companies.

Mr Evan Marks, a close adviser to financier Mr George Soros, has been named chief executive of Reichmann Inter*national, the New York-based* partnership between Mr Soros and the Reichmann family. Reichmann *International* acts as an adviser to Mr Soros's Quantum Realty Fund.

Mr Vernon Schwartz, former president of Catellus Development, a large California-based developer in which Reichmann-owned Olympia & York had a 15 per cent stake, was recently appointed to head Reichmann International Mexico.

The Mexican company, which is also a joint venture between the Reichmanns and Mr Soros, is about to begin *construction of a US$500m* development on the western outskirts of Mexico City and a $250m downtown office tower.

Mr Schwartz, who will be based in Toronto, will also become chief executive of a new Reichmann-owned company, as yet unnamed, which will oversee the family's interests.

The new Reichmann business operates from the same offices in Toronto occupied by Olympia & York before it collapsed two years ago.

Mr Paul Reichmann, with brother Albert still at his side, has recruited about a dozen executives. *Among* the recent arrivals is Mr Donald McCutchan, formerly Canada's ambassador to the *European* Bank for Reconstruction and Development.

# Renong in deal with Bank Rakyat

By Christine Hill in Kuala Lumpur

*Renong, a Malaysian* investment holding company, and Bank Rakyat Indonesia, one of Indonesia's largest state-controlled banks, are investing US$100m to set up an Indonesian venture capital company to be called P. T. Malindo Ventura Nusantara.

The deal brings together two large and well-connected groups to invest in medium-sized companies. Renong's wholly-owned subsidiary, Renong Nusantara, will have a *50 per cent stake in the com*pany, whilst Bank Rakyat Indonesia will have 43 per cent. Indonesian enterprises and individuals will hold the remaining 7 per cent.

The deal highlights growing business ties between Malaysia and Indonesia. In June, Mr Prajogo Pangestu, an Indonesian businessman, announced plans to list his non-Indonesian timber-related assets on the Kuala Lumpur stock exchange through a US$1bn reverse takeover of Construction & Supplies House, a building supplies company.

The investment presented an avenue for Renong to participate in the growing Indonesian economy, said Mr Raja Aman Ahmad, Renong Nusantara's chairman, However, analysts said investment commitments were small with profits expected only in the longer term.

# Seagram takes Spanish stake

Seagram, the Canadian drinks group, has taken a 20 per cent stake in Larios, Spain's leading domestic gin producer, for Pta8.4bn ($62.2m), writes Tom Burns from Madrid.

Under the deal, Seagram's whisky brands will have access to Larios's marketing network in Spain. Last year Larios posted net profits of Pta2bn on sales of Pta26bn.

Allied Lyons, the UK *group*, entered Spain earlier this year when it acquired the Domecq drinks group. Grand Metropolitan and Guinness, also of the UK, respectively control Gonzalez Byass, Domecq's main competitor, and Cruzcampo, a big brewing group.

## INTERNATIONAL CAPITAL MARKETS

# Europe higher in thin trading

By Graham Bowley

European government bond markets moved slightly higher yesterday in very thin trading, with the US closed for Independence Day and investors bracing themselves ahead of a busy week of economic data and official policy-making meetings.

The US Federal Open Markets Committee meets today and tomorrow to discuss monetary policy, amid speculation that it may raise official short-term interest rates, due to signs of domestic economic strength and to support the dollar after its recent weakness.

The Bundesbank holds its regular fortnightly meeting on Thursday, although no significant moves on interest rates are expected. On Friday, US non-farm payrolls data are released and the Group of Seven leading industrialised nations meets in Naples for its annual economic summit.

"Markets squeezed upwards apathetically," said Ms Alison Cottrell, international economist at Midland Global Markets. "With slightly more stability to the dollar, and with nothing special domestically to focus on, there was no reason to go down," she said. "Ahead of all these events, this is not a market you take a big risk in."

### GOVERNMENT BONDS

Analysts said bond markets may be boosted by the Naples summit, particularly if pronouncements made on trade relations between Japan and the US stabilise the dollar.

The German September government bond contract on Liffe was down 0.25 points at 92.15 in late trading, while the September long gilt future on Liffe was down ⅝ points at 100 11/32.

■ Confidence returned to the Swedish government bond market after the successful SKr6.5bn auction of seven and 15-year bonds.

The average accepted yield on the sale of SKr3.5bn of 15-year bonds was 11.05 per cent and that on the auction of SKr3bn of seven-year bonds 10.51 per cent. Both issues were fully covered, with bids of SKr4.36bn entered for the 15-year and SKr8bn for the seven-year bond. Analysts said domestic retail investors and foreign institutional investors were the main buyers, tempted by the high yields.

"It was a relief," said Mr Jouni Kokko, international economist at SG Warburg. "But the problems are not going to go away and the next test will be the Treasury bill auction on Thursday and the next bond auction in two weeks time," he said.

Yields had risen dramatically ahead of the auction on fears that the government would be unable to find sufficient buyers for its bonds.

These fears were triggered by the announcement on Friday by Skandia, one of Sweden's largest insurance companies, that it was boycotting government bonds in protest at the continuing rise in public sector debt.

# Large transactions held in the wings

By Tracy Corrigan

A spate of new issues in Swiss francs and yen buoyed activity on an otherwise subdued day in the Eurobond market. But the yen deals were targeted at Japanese investors, while the Swiss franc issues were largely aimed at retail investors.

### INTERNATIONAL BONDS

In addition, ABN Amro Lease Holding launched a Fl100m four-year deal, which was partly sold to institutions, but mainly aimed at retail investors, according to lead manager ABN Amro.

No borrowers ventured to launch large offerings targeted primarily at institutional investors yesterday, due to the closure of the US market for the Independence Day holiday.

A similar pattern is likely to continue for the rest of the week, as large transactions are held in the wings, while traders await the outcome of the US Federal Open Market Committee meeting today and tomorrow, the Bundesbank council meeting on Thursday and the latest US jobs figures on Friday.

In addition, dealers are hoping that the dollar may stabilise, perhaps in the wake of the Group of Seven summit at the weekend, creating a more favourable environment for new offerings next week.

Finland, which was last week rumoured to be planning a deal, yesterday awarded a mandate to Merrill Lynch and Morgan Stanley to arrange a 10-year global bond offering, denominated in dollars. The size of the deal has not yet been set, but it is expected to total $1bn or more.

Other deals likely to emerge next week are the global offerings for Fannie Mae and Italy, while there have been rumours that both Sweden and Spain are also eyeing the markets.

● The Kingdom of Spain has replaced its existing $500m eurocommercial paper programme with a $2bn programme, arranged by Lehman Brothers. The new programme allows paper to be issued in a broader range of currencies.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **YEN** | | | | | | | |
| New South Wales Treas. Corp. | 20bn | 3.20 | 100.0875 | Jul.1997 | 0.1875 | - | Merrill Lynch International |
| CNCA(a)★ | 10bn | 4.00 | 100.25 | Nov.1999 | 0.25 | - | Nomura International |
| Norddeutsche Landesbank | 10bn | 3.20 | 100.2375 | Jul.1997 | undiscl. | - | Nomura International |
| **GUILDERS** | | | | | | | |
| ABN Amro Lease Holding | 100 | 6.625 | 99.65R | Aug.1998 | 0.25R | +26 (6¼%-98) | ABN Amro Bank |
| **SWISS FRANCS** | | | | | | | |
| Crédit Local de France | 150 | 5.25 | 102.00 | Aug.2000 | - | - | Credit Suisse |
| Rabobank Nederland | 150 | 5.25 | 102.125 | Aug.1999 | - | - | Swiss Bank Corp. |
| Deutsche Finance Neths.★★ | 100 | 5.50 | 102.50 | Jul.1999 | 1.50 | - | Deutsche Bank (Schweiz) |
| Sudwestdeutsche LB(b) | 100 | 5.125 | 101.80 | Aug.1998 | - | - | Credit Suisse |
| LB Schleswig-Holstein, Lux★★ | 75 | 5.50 | 102.20 | Aug.1996 | - | - | Merrill Lynch Cap.Mkts. |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★★Private placement. ★Unlisted. R: fixed re-offer price; fees are shown at the re-offer level. a) Short first coupon. b) Long last coupon.

# UK gilts top world league table for June

By Graham Bowley

UK government bonds outperformed the rest of the world's bonds in June, as core European markets moved higher.

The J.P. Morgan government bond index shows a return for gilts of 0.72 per cent, measured in local currency.

Second came Germany, with 0.5 per cent. Australia was the worst performer, with a return of minus 3.07 per cent, just below Spain, Italy and Japan. The average rate of return across all countries was minus 0.57 per cent.

"Investor sentiment is being influenced by anecdotal evidence that European bond market performance may be bottoming out after several months of sharp decline," the report said.

Gilts were boosted by the government's white paper on pension industry reform, while economic growth remained in line with expectations and underlying inflation figures were revised downwards.

Worries over the government's commitment to controlling the budget deficit hit the Italian market, while Spanish bonds suffered from political uncertainty following the European parliamentary elections.

However, "concerns centring upon the US dollar and bond markets, as well as uncertainty over the timing of future US interest rate increases, continued to weigh heavily upon the global fixed-income markets", the report emphasises.

Over the last three months, the report shows that the UK has been one of the worst performers with a rate of return of minus 4.27 per cent.

# Funds take a fresh look at cash management

When negative sentiment takes a grip of markets in the way it has done for most of this year, that old adage "Cash is King" could not be a wiser investment strategy.

The recent slide in bond and equity prices has prompted many investors, professional and private alike, to run for cover. Those who have decided to take their losses on the chin have sold their positions and placed the proceeds in the safety of short-term bank deposits. Some fund managers are also holding back from investing the fresh funds which flow in at regular intervals.

As a result, they are sitting on historically large cash positions in their equity or bond portfolios, in some instances as high as 100 per cent. The norm is around 5 per cent for pension funds and 10 per cent for low-risk private client portfolios.

Since they are only meant to be in cash on a temporary basis, fund managers tend to opt for the best overnight rate to ensure capital preservation and allow immediate withdrawal for a quick return to the markets when they think the time is right.

Mr Peter Flynn, director of fixed income at Fleming Investment Management, says it would be inappropriate to manage such cash positions too actively.

"You want to be flexible, you are only in cash pending re-investment," he says. "Anyway, cash benchmarks such as three-month sterling Libor (the London interbank offered rate) would have been tough to beat since the beginning of the year."

But with markets remaining volatile, the pressure is on fund managers to make these cash positions work harder.

Mr Tim Easun, managing director at Union Fund Management, estimates that there is at least £12bn of pension fund money which could be getting better returns than overnight rates. The amount would be even greater if it included cash piles in the corporate and public authority sectors.

**The pressure is on fund managers to make their large cash positions work harder, says Antonia Sharpe**

"It is accidental money which is not being invested properly," says Mr Easun, adding that in the UK, fund managers tend to have a "loose change" attitude towards cash. "Cash should be an asset class in its own right, like in the US."

In the US, pension funds, companies and even hospitals are seeking a better return on their excess cash than the yields which they could get from rolling over overnight bank positions. Although the cash is often deposited with a custodian bank, the decision on how it is invested is taken by cash management specialists.

Mr John Isaacson, chief investment officer and executive vice-president at Payden & Rygel in Los Angeles, says his philosophy is to look at cash on a total return basis. For example, buying a liquid two-year bond and holding it for three months could well be more profitable than a three-month deposit because of the likely capital gain. Founded 11 years ago, Payden and Rygel now has $16bn under management, reflecting the demand in the US for cash management expertise.

Mr Isaacson says that, although the emphasis on yield is ingrained among European investors, he believes low interest rates will prompt them to want more from their cash. But he has found that European investors still associate investments maturing in more than one year with a risk of making losses on the principal, as value fluctuates.

Mr Easun detects an increasing trend among UK institutional investors to farm out the management of their cash positions. "We now have more than £1bn under management. Such economies of scale allow us to get better rates than the corporate treasurer who rings up the bank every day at 10.30," he says.

Meanwhile, some UK fund managers are starting to copy their American cousins. Mr Paul Meader, head of fixed-income management at Matheson Investment Management, says he constantly monitors short-dated instruments to find the best return for his cash position. "Yields are inconsistent at the short end of the yield curve, you can find anomalies which allow you to get rates of 5 per cent rather than 3 per cent," he says.

Mr Meader points to the Bank of England's latest auction of floating-rate notes as an example. "On the new gilt FRN it will be possible to get a yield of 5.75 per cent provided the FRN goes to par by the next coupon fixing," he says. This compares favourably with overnight rates, where it is sometimes difficult to get 4 per cent.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 9.000 | 09/04 | 95.7500 | −0.130 | 9.66 | 9.96 | 8.56 |
| Belgium | | 7.250 | 04/04 | 95.1800 | +0.170 | 7.97 | 7.97 | 7.84 |
| Canada * | | 6.500 | 06/04 | 82.1000 | −0.200 | 9.31 | 9.50 | 8.56 |
| Denmark | | 7.000 | 12/04 | 89.8000 | −0.200 | 8.50 | 8.21 | 8.03 |
| France | BTAN | 8.000 | 05/98 | 103.7400 | +0.160 | 6.90 | 6.71 | 6.67 |
| | OAT | 5.500 | 04/04 | 86.1300 | +0.320 | 6.03 | 7.37 | 7.38 |
| Germany Treuhand | | 6.750 | 05/04 | 97.9200 | +0.180 | 7.05 | 7.12 | 6.99 |
| Italy | | 8.500 | 01/04 | 88.1500 | +0.690 | 10.50† | 10.57 | 9.92 |
| Japan | No 119 | 4.800 | 06/99 | 105.4090 | −0.190 | 3.52 | 3.57 | 3.45 |
| | No 164 | 4.100 | 12/03 | 98.9880 | +0.067 | 4.25 | 4.24 | 4.19 |
| Netherlands | | 5.750 | 01/04 | 91.1600 | +0.360 | 7.05 | 7.10 | 7.04 |
| Spain | | 8.000 | 05/04 | 83.4000 | +0.250 | 10.81 | 10.69 | 9.97 |
| UK Gilts | | 6.000 | 08/99 | 90-24 | +7/32 | 8.26 | 8.19 | 7.99 |
| | | 6.750 | 11/04 | 87-18 | +11/32 | 8.58 | 8.42 | 8.34 |
| | | 9.000 | 10/08 | 103-06 | +14/32 | 8.60 | 8.47 | 8.40 |
| US Treasury * | | 7.250 | 05/04 | 99-15 | +3/32 | 7.32 | 7.25 | 6.90 |
| | | 6.250 | 08/23 | 84-08 | +5/32 | 7.61 | 7.54 | 7.21 |
| ECU (French Govt) | | 6.000 | 04/04 | 86.5200 | +0.440 | 8.04 | 7.86 | 7.80 |

London closing, *New York closed. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

4pm (Jul 1) — Treasury Bills and Bond Yields

| | | | | | | |
|---|---|---|---|---|---|---|
| Prime rate | 7¼ | One month | 3.95 | Two year | 6.17 |
| Broker loan rate | 6½ | Two month | 4.06 | Three year | 6.47 |
| Fed.funds | 4¼ | Three month | 4.30 | Five year | 6.95 |
| Fed.funds at intervention | 4¼ | Six month | 4.84 | 10-year | 7.32 |
| | | One year | 5.51 | 30-year | 7.61 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 114.70 | 115.10 | +0.36 | 115.16 | 114.68 | 36,868 | 127,700 |
| Dec | 113.82 | 114.22 | +0.36 | 114.04 | 113.82 | 1,183 | 12,067 |
| Mar | 113.10 | 113.48 | +0.36 | 113.26 | 113.10 | 185 | 1,728 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Aug | Calls Sep | Calls Dec | Puts Aug | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|
| 114 | - | 2.75 | - | 1.21 | 1.76 | - |
| 115 | 1.59 | - | 2.40 | 1.61 | 2.14 | - |
| 116 | 1.12 | 1.63 | - | - | - | - |
| 117 | 0.70 | 1.17 | - | - | - | - |
| 118 | 0.38 | 0.76 | - | 3.33 | - | - |

Est. vol. total, Calls 22,761 Puts 6,212. Previous day's open int., Calls 318,804 Puts 326,934.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 92.05 | 92.13 | +0.23 | 92.20 | 91.93 | 16473 | 139805 |
| Dec | 91.30 | 91.43 | +0.23 | 91.40 | 91.30 | 63 | 7549 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Aug | Calls Sep | Calls Oct | Calls Dec | Puts Aug | Puts Sep | Puts Oct | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 9200 | 1.00 | 1.53 | 1.43 | 1.67 | 0.87 | 1.40 | 2.00 | 2.24 |
| 9250 | 0.73 | 1.26 | 1.22 | 1.43 | 1.10 | 1.63 | 2.29 | 2.50 |
| 9300 | 0.53 | 1.02 | 1.04 | 1.23 | 1.40 | 1.89 | 2.61 | 2.80 |

Est. vol. total, Calls 5336 Puts 4571. Previous day's open int., Calls 244963 Puts 222262

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | - | 97.51 | +0.08 | - | - | 0 | 78 |

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 102.70 | 103.40 | +0.70 | 103.46 | 102.66 | 5213 | 57604 |
| Dec | - | 102.35 | +0.70 | - | - | 0 | 100 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Sep | Calls Dec | Puts Sep | Puts Dec |
|---|---|---|---|---|
| 10300 | 2.49 | 3.30 | 2.09 | 3.95 |
| 10350 | 2.22 | 3.07 | 2.32 | 4.22 |
| 10400 | 1.97 | 2.86 | 2.57 | 4.51 |

Est. vol. total, Calls 165 Puts 120. Previous day's open int., Calls 29382 Puts 25450

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 88.25 | 88.30 | +0.03 | 88.48 | 88.06 | 14,640 | 102,766 |
| Dec | - | 90.15 | - | - | - | - | 4 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 100-01 | 100-09 | +0-10 | 100-16 | 100-01 | 7631 | 108231 |
| Dec | - | 99-09 | +0-10 | - | - | 0 | 411 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Sep | Calls Dec | Puts Sep | Puts Dec |
|---|---|---|---|---|
| 100 | 2-17 | 2-63 | 1-63 | 3-45 |
| 101 | 1-49 | 2-36 | 2-31 | 4-18 |
| 102 | 1-22 | 2-12 | 3-04 | 4-58 |

Est. vol. total, Calls 3011 Puts 5090. Previous day's open int., Calls 60702 Puts 48169

#### Ecu

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 82.68 | 83.04 | +0.36 | 83.04 | 82.68 | 139 | 5,965 |
| Dec | - | 82.60 | +0.36 | - | - | - | - |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Jul 1)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 101-09 | 101-11 | +0-04 | 101-20 | 101-00 | 404,103 | 358,230 |
| Dec | 100-17 | 100-18 | +0-03 | 100-28 | 100-08 | 4,504 | 47,124 |
| Mar | 100-02 | 99-29 | +0-04 | 100-05 | 99-22 | 119 | 3,789 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 109.70 | - | - | 109.74 | 109.60 | 847 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Mon Jul 4 | Day's change % | Fri Jul 1 | Accrued interest | xd adj. ytd | | Low coupon yield Jul 4 | Jul 1 | Yr. ago | Medium coupon yield Jul 4 | Jul 1 | Yr. ago | High coupon yield Jul 4 | Jul 1 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (24) | 121.14 | +0.06 | 121.07 | 1.81 | 5.82 | 5 yrs | 8.35 | 8.38 | 6.82 | 8.53 | 8.56 | 6.96 | 8.61 | 8.64 | 7.17 |
| 2 5-15 years (22) | 139.41 | +0.29 | 139.29 | 2.05 | 6.71 | 15 yrs | 8.51 | 8.56 | 7.91 | 8.66 | 8.70 | 7.99 | 8.93 | 9.00 | 8.24 |
| 3 Over 15 years (9) | 155.77 | +0.46 | 155.06 | 1.95 | 6.57 | 20 yrs | 8.46 | 8.51 | 8.04 | 8.66 | 8.70 | 8.10 | 8.75 | 8.80 | 8.28 |
| 4 Irredeemables (6) | 176.37 | +0.39 | 175.68 | 1.36 | 7.36 | Irred.† | 8.54 | 8.58 | 8.16 | | | | | | |
| 5 All stocks (61) | 137.23 | +0.25 | 137.03 | 1.97 | 6.43 | | | | | | | | | | |

| Index-linked | Mon Jul 4 | Day's change % | Fri Jul 1 | Accrued interest | xd adj. ytd | | Inflation 5% Jul 4 | Jul 1 | Yr. ago | Inflation 10% Jul 4 | Jul 1 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 188.37 | +0.05 | 188.28 | 1.29 | 2.53 | Up to 5 yrs | 3.82 | 3.83 | 2.87 | 2.81 | 2.81 | 2.13 |
| 7 Over 5 years (11) | 170.69 | +0.14 | 170.46 | 0.79 | 2.65 | Over 5 yrs | 3.94 | 3.95 | 3.50 | 3.76 | 3.77 | 3.32 |
| 8 All stocks (13) | 171.43 | +0.13 | 171.22 | 0.84 | 2.63 | | | | | | | |

| Debentures and Loans | Mon Jul 4 | Day's change % | Fri Jul 1 | Accrued interest | xd adj. ytd | 5 year yield Jul 4 | Jul 1 | Yr. ago | 15 year yield Jul 4 | Jul 1 | Yr. ago | 25 year yield Jul 4 | Jul 1 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (76) | 127.60 | +0.33 | 127.37 | 2.24 | 5.84 | 9.69 | 9.74 | 8.57 | 9.62 | 9.65 | 8.94 | 9.56 | 9.57 | 9.10 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | July 4 | July 1 | June 30 | June 29 | June 28 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 91.99 | 91.61 | 91.57 | 92.47 | 92.29 | 97.74 | 107.04 | 90.99 |
| Fixed Interest | 109.25 | 109.14 | 109.56 | 109.85 | 109.87 | 115.79 | 133.87 | 107.33 |

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

### GILT EDGED ACTIVITY INDICES

| | July 1 | June 30 | June 29 | June 28 | June 27 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 89.0 | 91.0 | 120.2 | 98.3 | 98.1 |
| 5-day average | 99.3 | 96.8 | 97.0 | 91.7 | 90.6 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 4

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 91 | 91⅜ | | 7.95 |
| Alberta Province 7⅞ 98 | 1000 | 101 | 101¼ | | 7.33 |
| Austria 8½ 00 | 400 | 104⅝ | 105 | −⅛ | 7.44 |
| Bank of Tokyo 8⅜ 96 | 100 | 102⅝ | 103⅛ | +⅛ | 6.70 |
| Belgium 5½ 03 | 1000 | 84¾ | 85 | | 7.86 |
| BFCE 7¼ 97 | 150 | 102 | 102½ | −⅛ | 6.88 |
| British Gas 0 21 | 1500 | 10⅝ | 10¾ | −⅛ | 8.64 |
| Canada 9 96 | 1000 | 104 | 104¼ | | 6.33 |
| Cheung Kong Fin 5½ 98 | 500 | 89⅞ | 90⅝ | | 8.43 |
| China 6½ 04 | 1000 | 86½ | 86⅞ | | 8.77 |
| Council Europe 8 96 | 100 | 102⅝ | 103⅛ | | 6.60 |
| Credit Foncier 9½ 99 | 300 | 108⅛ | 108½ | | 7.35 |
| Denmark 5¾ 98 | 1000 | 96⅛ | 96½ | −⅛ | 6.98 |
| East Japan Railway 6⅝ 04 | 600 | 91 | 91⅜ | −⅛ | 7.98 |
| ECSC 8¼ 96 | 193 | 103⅛ | 103⅝ | | 6.77 |
| EEC 9¼ 96 | 100 | 103 | 103¾ | +⅛ | 6.56 |
| EIB 7¾ 96 | 250 | 102⅛ | 102⅝ | | 6.59 |
| EIB 9¼ 97 | 1000 | 106⅝ | 106⅞ | +⅛ | 6.95 |
| Elec de France 9 98 | 200 | 105½ | 106 | | 7.23 |
| Eurofima 9¼ 96 | 100 | 104⅛ | 104⅝ | −⅛ | 6.55 |
| Ex-Im Bank Japan 8 02 | 500 | 101½ | 101⅞ | −⅛ | 7.73 |
| Export Dev Corp 9½ 98 | 150 | 107½ | 107⅞ | | 7.28 |
| Finland 6¾ 97 | 3000 | 99⅜ | 99⅝ | | 7.06 |
| Finnish Export 9⅜ 95 | 200 | 103⅝ | 103⅞ | | 6.36 |
| Ford Motor Credit 6¼ 98 | 1500 | 96⅜ | 97⅛ | | 7.41 |
| Gen Elec Capital 9⅜ 96 | 300 | 104⅞ | 105¼ | −⅛ | 6.66 |
| GMAC 9⅛ 96 | 200 | 103¼ | 103⅝ | | 6.98 |
| Ind Bk Japan Fin 7⅞ 97 | 200 | 101⅞ | 102⅜ | +⅛ | 7.14 |
| Inter Amer Dev 7⅛ 96 | 200 | 101⅞ | 102¼ | | 6.66 |
| Italy 6⅞ 23 | 3500 | 81¼ | 81⅝ | | 8.83 |
| Japan Dev Bk 8⅜ 01 | 500 | 103¾ | 104⅛ | | 7.62 |
| Kansai Elec Pwr 10 98 | 350 | 105⅝ | 105¾ | | 6.59 |
| Korea Elec Power 6⅜ 03 | 1350 | 85½ | 85⅞ | −¼ | 8.85 |
| LTCB Fin 8 97 | 200 | 101⅞ | 102½ | | 7.13 |
| Matsushita Elec 7¼ 02 | 1000 | 96½ | 96⅞ | | 8.00 |
| Nippon Cred Bk 10⅜ 95 | 150 | 103½ | 103⅞ | | 6.68 |
| Norway 7¼ 97 | 1000 | 101⅛ | 101⅜ | | 6.77 |
| Ontario 7⅜ 03 | 3000 | 96½ | 96⅞ | −⅛ | 8.10 |
| Oster Kontrollbank 8½ 01 | 200 | 104½ | 104⅞ | | 7.60 |
| Petro-Canada 7¼ 96 | 200 | 101⅛ | 101⅝ | +⅛ | 6.57 |
| Portugal 5¾ 03 | 1000 | 86⅛ | 86⅜ | | 8.04 |
| Quebec Hydro 9¾ 98 | 150 | 107¼ | 107⅞ | −⅛ | 7.66 |
| Quebec Prov 9 98 | 200 | 104⅝ | 105⅛ | +⅛ | 7.52 |
| Sainsbury 9⅛ 96 | 150 | 104¼ | 104¾ | −⅛ | 6.99 |
| SAS 10 99 | 200 | 106¼ | 107⅛ | | 8.30 |
| SNCF 9½ 98 | 150 | 107⅝ | 108 | −⅛ | 7.25 |
| Spain 6½ 99 | 1500 | 96⅛ | 96½ | | 7.41 |
| State Bk NSW 8½ 98 | 200 | 102⅞ | 103⅜ | −⅛ | 6.80 |
| Sweden 5½ 95 | 2000 | 99⅛ | 99⅜ | | 6.14 |
| Swedish Export 8⅜ 96 | 700 | 103 | 103⅜ | | 6.49 |
| Tokyo Elec Power 6⅝ 03 | 1000 | 89⅛ | 89⅜ | | 7.84 |
| Tokyo Metropolis 8¼ 96 | 200 | 103⅛ | 103½ | | 6.73 |
| Toyota Motor 5⅝ 98 | 1500 | 95⅝ | 96 | | 6.99 |
| United Kingdom 7¼ 02 | 3000 | 97¼ | 97½ | −⅛ | 7.69 |
| World Bank 8⅜ 99 | 1500 | 105⅛ | 105⅜ | | 7.31 |
| World Bank 8¼ 97 | 1500 | 105⅛ | 105⅜ | | 6.72 |
| **DEUTSCHE MARK STRAIGHTS** | | | | | |
| Austria 6½ 24 | 2000 | 84¼ | 84½ | −¼ | 7.88 |
| Credit Foncier 7¼ 03 | 2000 | 99⅝ | 100¼ | +⅛ | 7.30 |
| Denmark 6⅛ 98 | 2000 | 98½ | 98¾ | +⅛ | 6.27 |
| Depfa Finance 6⅞ 03 | 1500 | 93⅞ | 94 | +¼ | 7.30 |
| Deutsche Bk Fin 7½ 03 | 2000 | 100 | 100½ | −⅛ | 7.49 |
| EEC 6½ 00 | 2900 | 98½ | 98⅝ | +⅛ | 6.82 |
| EIB 6¼ 00 | 1500 | 96⅞ | 97¼ | | 6.92 |
| Finland 7½ 00 | 3000 | 102 | 102¼ | | 7.04 |
| Italy 7¼ 98 | 5000 | 101⅞ | 102 | +⅛ | 6.63 |
| LKB Baden-Wuert 6½ 08 | 2250 | 90⅛ | 90½ | +⅛ | 7.69 |
| Norway 6⅜ 98 | 1500 | 99¾ | 99⅞ | +⅛ | 6.19 |
| Ontario 6¼ 04 | 1500 | 91¼ | 91¾ | −⅛ | 7.48 |
| Spain 7¼ 03 | 4000 | 99¼ | 99⅜ | +⅛ | 7.36 |
| Sweden 8 97 | 2500 | 103¾ | 104⅛ | −⅛ | 6.69 |

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| United Kingdom 7⅛ 97 | 5500 | 102 | 102¼ | | 6.42 |
| Volkswagen Intl Fin 7 03 | 1000 | 97¼ | 97¾ | −⅛ | 7.43 |
| World Bank 0 15 | 2000 | 20⅛ | 20½ | −1 | 7.76 |
| World Bank 5⅞ 03 | 3000 | 91 | 91 | −⅛ | 7.22 |
| World Bank 8¾ 00 | 1250 | 110⅝ | 110¾ | +⅛ | 6.53 |
| **SWISS FRANC STRAIGHTS** | | | | | |
| Asian Dev Bank 6 10 | 100 | 100½ | 101 | −½ | 5.95 |
| Austria 4½ 00 | 1000 | 97½ | 97⅝ | +⅛ | 5.02 |
| Council Europe 4¾ 98 | 250 | 99½ | 100½ | −½ | 4.90 |
| Denmark 4¼ 99 | 1000 | 96⅝ | 96⅞ | | 4.99 |
| EIB 6¾ 04 | 300 | 105¼ | 106 | +¼ | 6.04 |
| Elec de France 7¼ 06 | 100 | 107¾ | 108¼ | | 6.28 |
| Finland 7¼ 99 | 300 | 108 | 108½ | +½ | 5.45 |
| Hyundai Motor Fin 8½ 97 | 100 | 105 | 106 | | 6.69 |
| Iceland 7⅝ 00 | 100 | 107½ | 108½ | | 6.11 |
| Kobe 6⅝ 01 | 240 | 104¼ | 105¼ | | 5.54 |
| Ontario 6¼ 03 | 400 | 102¼ | 102¾ | +¼ | 5.90 |
| Quebec Hydro 5 08 | 100 | 90 | 90¾ | −¼ | 6.09 |
| SNCF 7 04 | 450 | 108¼ | 109 | +¼ | 5.84 |
| World Bank 5 03 | 150 | 98½ | 99 | | 5.21 |
| World Bank 7 01 | 600 | 107¾ | 108 | | 5.57 |
| **YEN STRAIGHTS** | | | | | |
| Belgium 5 99 | 75000 | 104⅝ | 104⅞ | −⅛ | 4.03 |
| EIB 6⅝ 00 | 100000 | 111¾ | 112 | | 4.25 |
| Finland 6¾ 96 | 50000 | 108¼ | 108½ | −⅛ | 2.97 |
| Inter Amer Dev 7¼ 00 | 30000 | 114⅞ | 115⅛ | | 4.32 |
| Italy 3½ 01 | 300000 | 93⅜ | 93⅝ | | 4.68 |
| Japan Dev Bk 5 99 | 100000 | 104⅝ | 104⅞ | | 4.00 |
| Japan Dev Bk 6½ 01 | 120000 | 112⅛ | 112⅜ | −⅛ | 4.49 |
| Nippon Tel Tel 5⅞ 96 | 50000 | 106½ | 106⅝ | | 2.81 |
| Norway 5⅜ 97 | 150000 | 105¼ | 105⅜ | −⅛ | 3.29 |
| SNCF 6¼ 00 | 30000 | 112¼ | 112½ | | 4.26 |
| Spain 5¾ 02 | 125000 | 107⅝ | 107¾ | | 4.55 |
| Sweden 4⅝ 98 | 150000 | 102⅞ | 103 | −⅛ | 3.75 |
| World Bank 5¼ 02 | 250000 | 105⅛ | 105¼ | | 4.50 |
| **OTHER STRAIGHTS** | | | | | |
| Arbed 7½ 95 LFr | 600 | 100 | 101 | | 7.49 |
| Genfinance Lux 9⅛ 99 LFr | 1000 | 107 | 108 | | 7.32 |
| World Bank 8 98 LFr | 1000 | 100 | 101 | | 7.97 |
| Bank Voor Ned Gem 7⅛ 02 Fl | 1000 | 100½ | 101 | | 7.53 |
| Energie Beheer 9⅜ 98 Fl | 500 | 109¼ | 109¾ | | 6.24 |
| Alberta Province 10⅝ 96 C$ | 500 | 102⅜ | 102⅞ | | 8.90 |
| Bell Canada 10⅝ 99 C$ | 150 | 102⅞ | 103½ | | 9.87 |
| British Columbia 10 96 C$ | 500 | 101⅝ | 102 | +⅛ | 9.02 |
| EIB 10⅛ 98 C$ | 130 | 103½ | 104⅝ | +⅛ | 8.94 |
| Elec de France 9¾ 99 C$ | 275 | 100⅝ | 101⅛ | | 9.57 |
| Gen Elec Capital 10 96 C$ | 300 | 101⅝ | 101⅞ | −⅛ | 8.18 |
| KfW Int Fin 10 01 C$ | 400 | 100½ | 101¼ | −⅛ | 9.87 |
| Nippon Tel Tel 10¼ 99 C$ | 200 | 102⅛ | 102⅝ | | 9.63 |
| Ontario 8 03 C$ | 1500 | 89½ | 89⅞ | | 10.05 |
| Ontario Hydro 10⅞ 99 C$ | 500 | 104¼ | 104¾ | −⅛ | 9.69 |
| Oster Kontrollbank 10¼ 99 C$ | 150 | 102⅜ | 102⅞ | | 9.63 |
| Quebec Prov 10½ 98 C$ | 200 | 102 | 102½ | | 9.88 |
| Belgium 9¼ 96 Ecu | 1250 | 103¼ | 103½ | | 7.00 |
| Council Europe 9 01 Ecu | 1100 | 104¼ | 104¾ | −⅛ | 8.19 |
| Credit Lyonnais 9 96 Ecu | 125 | 102½ | 103⅛ | −⅛ | 7.48 |
| EIB 10 97 Ecu | 1125 | 106 | 106¼ | | 7.35 |
| Ferro del Stat 10⅛ 98 Ecu | 500 | 106½ | 107 | −⅛ | 7.80 |
| Italy 10⅝ 00 Ecu | 1000 | 111⅛ | 111½ | −⅛ | 8.24 |
| Spain 9 96 Ecu | 1000 | 103¼ | 103⅜ | | 7.08 |
| United Kingdom 9⅛ 01 Ecu | 2750 | 105⅜ | 105⅝ | | 8.03 |
| AIDC 10 99 A$ | 100 | 102 | 102⅜ | −⅛ | 9.47 |
| BP America 12¼ 96 A$ | 100 | 105¼ | 105¾ | | 8.87 |
| Comm Bk Australia 13¾ 99 A$ | 100 | 115⅝ | 116⅛ | | 9.76 |
| EIB 7¾ 99 A$ | 350 | 90¼ | 90⅝ | −⅛ | 9.87 |
| NSW Treasury Zero 0 20 A$ | 1000 | 7⅞ | 8⅛ | | 10.11 |
| R & I Bank 7¾ 03 A$ | 125 | 85⅛ | 85½ | −⅛ | 10.38 |
| State Bk NSW 9 02 A$ | 300 | 94⅛ | 94¾ | −⅛ | 10.02 |
| Sth Aust Govt Fin 9 02 A$ | 150 | 93 | 93½ | −⅛ | 10.29 |
| Unilever Australia 12 98 A$ | 150 | 107¾ | 108⅜ | | 9.43 |

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| Abbey Natl Treasury 8 03 £ | 1000 | 91⅞ | 92 | +⅛ | 9.41 |
| Alliance Leics 11⅜ 97 £ | 100 | 107⅞ | 108¼ | +⅛ | 8.14 |
| British Land 8⅞ 23 £ | 150 | 87¼ | 87¾ | +⅛ | 10.52 |
| Denmark 6¾ 98 £ | 800 | 94⅛ | 94⅝ | +⅛ | 8.44 |
| EIB 10 97 £ | 837 | 104¾ | 105 | −⅛ | 7.85 |
| Halifax 10⅜ 97 £ | 100 | 105⅜ | 105⅞ | −⅛ | 8.02 |
| Hanson 10⅜ 97 £ | 500 | 104⅞ | 105¼ | | 8.58 |
| HSBC Holdings 11.69 02 £ | 153 | 109⅛ | 109½ | +⅛ | 9.98 |
| Italy 10½ 14 £ | 400 | 107⅞ | 108⅛ | +⅛ | 9.60 |
| Japan Dev Bk 7 00 £ | 200 | 91⅝ | 92 | +⅛ | 8.78 |
| Land Secs 9½ 07 £ | 200 | 98¼ | 98⅝ | +¼ | 9.74 |
| Ontario 11⅛ 01 £ | 100 | 107⅞ | 108¼ | | 9.45 |
| Powergen 8⅞ 03 £ | 250 | 98⅜ | 98¾ | +¼ | 9.49 |
| Severn Trent 11½ 99 £ | 150 | 109⅛ | 109¾ | +¼ | 9.09 |
| Tokyo Elec Power 11 01 £ | 150 | 109¼ | 109¾ | −⅛ | 9.32 |
| Abbey National 0 96 NZ$ | 100 | 82⅝ | 83⅛ | −⅛ | 8.65 |
| TCNZ Fin 9¼ 02 NZ$ | 75 | 101⅞ | 102⅞ | −1⅞ | 8.91 |
| Credit Local 6 01 FFr | 7000 | 91⅝ | 91⅞ | | 7.51 |
| Elec de France 8¾ 22 FFr | 3000 | 103⅝ | 104 | | 8.41 |
| SNCF 9¼ 97 FFr | 4000 | 105⅝ | 106 | −⅛ | 6.93 |

**FLOATING RATE NOTES**

| | Issued | Bid | Offer | C.cpn |
|---|---|---|---|---|
| Abbey Natl Treasury −1/16 99 | 1000 | 99.15 | 99.30 | 4.5000 |
| Banco Roma 0 99 | 200 | 99.78 | 99.96 | 4.7812 |
| Belgium 1/16 97 DM | 500 | 100.12 | 100.21 | 5.8750 |
| BFCE −0.02 98 | 350 | 99.72 | 99.83 | 4.7300 |
| Britannia 0.10 96 £ | 150 | 99.92 | 100.02 | 5.3500 |
| Canada −⅛ 99 | 2000 | 99.22 | 99.29 | 4.3125 |
| CCCE 0 06 Ecu | 200 | 98.87 | 99.10 | 6.0156 |
| Credit Lyonnais 1/16 00 | 300 | 97.78 | 98.27 | 5.0000 |
| Denmark −⅛ 98 | 1000 | 99.39 | 99.49 | 3.7500 |
| Dresdner Finance 1/32 98 DM | 1000 | 99.97 | 100.06 | 5.4688 |
| Ferro del Stat 0.10 97 | 420 | 99.98 | 100.18 | 4.6000 |
| Finland 0 97 | 1000 | 99.86 | 99.94 | 3.4141 |
| Halifax BS 1/16 95 £ | 350 | 99.96 | 100.05 | 5.2500 |
| Ireland 0 98 | 300 | 99.59 | 99.72 | 4.8900 |
| Italy ⅛ 98 | 2000 | 100.28 | 100.35 | 5.0000 |
| LKB Baden-Wuert Fin −⅛ 98 | 1000 | 99.38 | 99.48 | 4.5625 |
| Lloyds Bank Perp S 0.10 | 600 | 81.38 | 82.88 | 4.1000 |
| Malaysia 1/16 05 | 650 | 99.12 | 99.44 | 5.2500 |
| New Zealand −⅛ 99 | 1000 | 99.54 | 99.62 | 3.8125 |
| Ontario 0 99 | 2000 | 99.29 | 99.36 | 4.8125 |
| Renfe 0 98 | 500 | 99.34 | 99.51 | 5.1250 |
| Societe Generale 0 96 | 300 | 99.40 | 99.54 | 4.0312 |
| Staatsbank Berlin −0.05 98 DM | 6000 | 99.99 | 100.08 | 5.6946 |
| State Bk Victoria 0.05 99 | 125 | 99.67 | 99.86 | 5.1125 |
| Sweden 0 98 | 1500 | 99.99 | 100.05 | 4.6250 |
| United Kingdom −⅛ 96 | 4000 | 99.73 | 99.79 | 4.5000 |

**CONVERTIBLE BONDS**

| | Issued | Conv. Price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| Browning-Ferris 6¾ 05 | 400 | 52½ | 95⅝ | 101⅜ | +66.65 |
| Chubb Capital 6 98 | 250 | 86 | 104⅜ | 105 | +15.84 |
| Gold Kalgoorlie 7½ 00 | 65 | 1.0554 | 111½ | 112½ | +31.77 |
| Hanson 9½ 06 £ | 500 | 2.5875 | 106¼ | 107⅞ | +12.67 |
| Hanson America 2.39 01 | 1000 | | | | |
| Hawley Pac 6 02 | 400 | | | | |
| Land Secs 6¾ 02 £ | 84 | 6.72 | 97½ | 98½ | +4.17 |
| Lasmo 7¾ 05 £ | 90 | 5.64 | 84⅜ | 85¼ | |
| Mitsui Bank 2⅝ 03 | 200 | 2332.6 | 90 | 92 | +14.50 |
| Mount Isa Fin 6½ 97 | 100 | | | | |
| Natl Power 6¼ 08 £ | 250 | 4.33 | 107 | 107⅞ | +6.02 |
| Ogden 6 02 | 85 | 39.077 | 87⅞ | 88⅞ | +58.09 |
| Pennzoil 4¾ 03 | 500 | | | | |
| Sumitomo Bank 3⅛ 04 | 300 | 3608.9 | 88½ | 89½ | +16.02 |
| Sun Alliance 7¼ 08 £ | 155 | 3.9 | 93¾ | 94¾ | +24.79 |
| Tesco Capital 9 05 £ | 200 | 2.51 | 112 | 113 | +27.49 |
| Texas Instruments 2¾ 02 | 300 | 82⅞ | 105¾ | 108 | +10.07 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or − | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|
| **Shorts* (Lives up to Five Years)** | | | | | | |
| Treas. 10pc Ln. 1994‡‡ | 10.00 | - | 100 | — | 102 3/32 | 100 |
| Exch 12¼pc 1994 | 12.37 | 5.01 | 101 1/16 | — | 104 29/32 | 100 3/16 |
| Treas 9pc 1994‡‡ | 8.86 | 5.14 | 101 ⅝ | — | 103 31/32 | 101 ⅜ |
| 12pc 1995 | 11.57 | 5.21 | 103 23/32xd | — | 107 ⅜ | 103 ¾ |
| Exch 3pc Gas 90-95 | 3.08 | 5.20 | 98 ⅛ | — | 98 ⅝ | 97 ⅝ |
| 10¼pc 1995 | 9.82 | 5.87 | 104 13/32xd | — | 107 ¾ | 104 13/32 |
| Treas 12¾pc 1995‡‡ | 11.76 | 6.22 | 108 ¾ | — | 113 ⅞ | 108 ¾ |
| 14pc 1996 | 12.84 | 6.54 | 110 ¾xd | — | 117 ¾ | 110 ¾ |
| 15¼pc 1996‡‡ | 13.37 | 6.88 | 114 ⅛ | — | 121 ¾ | 114 ⅛ |
| Exch 13¼pc 1996‡‡ | 11.98 | 6.91 | 110 ⅝ | — | 117 ¾ | 110 ⅝ |
| Conversion 10pc 1996 | 9.47 | 7.30 | 105 ⅝ | — | 112 ⅛ | 105 ⅜ |
| Conv 7pc 1997‡‡ | 7.09 | 7.40 | 98 23/32xd | + ⅛ | 100 ⅜ | 98 ⅛ |
| Treas 13¼pc 1997‡‡ | 11.71 | 7.48 | 113 ¼xd | — | 121 ¾ | 112 ⅞ |
| Exch 10½pc 1997 | 9.83 | 7.57 | 106 ⅝ | — | 114 ⅛ | 106 ⅝ |
| Treas 8¾pc 1997‡‡ | 8.58 | 7.86 | 102 ¼ | — | 110 ⅛ | 101 ⅝ |
| Exch 15pc 1997 | 12.51 | 7.98 | 119 ⅞ | + ⅛ | 131 ⅝ | 119 ⅝ |
| 9¾pc 1998 | 9.30 | 8.10 | 104 ⅞xd | + ⅛ | 114 ⅞ | 104 ⅛ |
| Treas 7¼pc 1998‡‡ | 7.45 | 8.08 | 97 ⅛ | + ⅛ | 105 ⅛ | 96 ⅝ |
| Treas 6¾pc 1995-98‡‡ | 7.09 | 8.08 | 95 ⅛ | + ⅛ | 102 | 94 ⅞ |
| 14pc '98-1 | 11.89 | 8.33 | 118 ⅛ | + ⅛ | 131 ⅛ | 117 ⅞ |
| Treas 15½pc '98‡‡ | 12.35 | 8.21 | 125 ⅝ | + ⅛ | 140 ⅛ | 124 ⅞ |
| Exch 12pc 1998 | 10.82 | 8.35 | 113 | + ⅛ | 125 ⅝ | 112 ⅛ |
| Treas 9½pc 1999‡‡ | 9.12 | 8.34 | 104 ⅛xd | + ⅛ | 116 ⅛ | 103 ⅛ |
| **Five to Fifteen Years** | | | | | | |
| Exch 12¼pc 1999 | 10.72 | 8.50 | 114 ¼ | + ⅛ | 128 ⅛ | 113 ⅝ |
| Treas 10½pc 1999 | 9.74 | 8.48 | 107 ⅞ | + ⅛ | 121 ⅛ | 106 ⅞ |
| Treas 6pc 1999‡‡ | 6.61 | 8.26 | 90 ⅝xd | + ⅛ | 101 ⅝ | 89 ⅞ |
| Conversion 10¼pc 1999 | 9.69 | 8.59 | 105 ⅞ | + ⅛ | 121 ⅝ | 105 ⅞ |
| Treas Fltg Rate '99 | - | - | 99 ⅞ | — | 100 ⅛ | 99 ⅞ |
| 9pc 2000‡‡ | 8.65 | 8.58 | 101 ⅝ | + ⅛ | 116 ⅛ | 101 ⅛ |
| Treas 13pc 2000 | 10.89 | 8.77 | 119 ⅜xd | + ⅛ | 136 ⅞ | 118 ⅛ |
| 10pc 2001 | 9.45 | 8.80 | 105 ⅞ | + ⅛ | 122 ⅛ | 104 ⅞ |
| 7pc '01‡‡ | 7.67 | 8.58 | 91 ⅛ | + ⅛ | 106 ⅛ | 90 ⅛ |
| 7pc '01 A | 7.68 | 8.63 | 91 ⅛ | + ⅛ | 101 ⅛ | 89 ⅞ |
| 9¾pc 2002 | 9.27 | 8.84 | 105 ⅛ | + ⅛ | 123 ⅛ | 103 ⅞ |
| 8pc 2003‡‡ | 8.37 | 8.70 | 95 ⅝ | + ¼ | 113 ⅞ | 94 ⅛ |
| 10pc 2003 | 9.33 | 8.83 | 107 ⅛ | + ⅛ | 127 ⅛ | 105 ⅞ |
| Treas 11½pc 2001-4 | 10.24 | 9.00 | 112 ¼ | + ¼ | 129 ⅞ | 110 ⅞ |
| Funding 3½pc '99-4 | 4.84 | 7.54 | 72 ⅜xd | + ⅛ | 86 ⅛ | 71 ⅛ |
| Conversion 9½pc 2004 | 9.06 | 8.75 | 104 ⅞ | + ⅛ | 125 ⅛ | 103 |
| Treas 6¾pc 2004‡‡ | 7.71 | 8.57 | 87 ⅛ | + ⅛ | 105 ⅛ | 85 ⅞ |
| Conv 9½pc 2005 | 9.02 | 8.71 | 105 ⅛ | + ⅛ | 125 ½ | 103 ⅛ |
| Treas 12½pc 2003-5 | 10.33 | 9.10 | 121 | + ½ | 143 ⅛ | 119 ⅛ |
| 7¾pc 2006‡‡ | 8.31 | 8.64 | 93 ⅛ | + ⅛ | 112 ⅞ | 91 ½ |
| 8pc 2002-6‡‡ | 8.45 | 8.70 | 94 ⅞ | − ⅛ | 111 ⅝ | 93 ⅛ |
| Treas 11¾pc 2003-7 | 10.18 | 9.10 | 115 ⅞xd | + ⅛ | 138 ⅛ | 113 ⅝ |
| Treas 8½pc 2007‡‡ | 8.59 | 8.63 | 98 ⅞xd | + ⅛ | 119 ⅛ | 96 ⅞ |
| 13½pc '04-8 | 10.58 | 9.11 | 127 ⅞ | + ⅛ | 151 ⅛ | 125 ⅛ |
| Treas 9pc 2008‡‡ | 8.72 | 8.80 | 103 ⅛ | + ⅛ | 124 ⅞ | 101 |
| **Over Fifteen Years** | | | | | | |
| Treas 8pc 2009 | 8.42 | 8.58 | 94 ⅞ | + ⅛ | 115 ⅛ | 93 |
| Treas 6 1/4pc 2010 | 7.73 | 8.42 | 80 ⅞ | + ⅛ | 98 ⅛ | 78 ⅛ |
| Conv 9pc Ln 2011‡‡ | 8.68 | 8.58 | 103 ⅝xd | + ⅛ | 128 ⅞ | 101 ⅛ |
| Treas 9pc 2012‡‡ | 8.64 | 8.54 | 104 ⅛xd | + ⅛ | 127 ⅞ | 101 ⅛ |
| Treas 5½pc 2008-12‡‡ | 7.43 | 8.28 | 74 ⅛ | + ⅛ | 93 ⅞ | 72 ⅛ |
| Treas 8pc 2013‡‡ | 8.40 | 8.50 | 95 ⅛ | + ⅛ | 117 ⅞ | 92 ⅛ |
| 7¾pc 2012-15‡‡ | 8.33 | 8.47 | 93xd | + ⅛ | 114 ⅜ | 91 ⅛ |
| Treas 8¾pc 2017‡‡ | 8.52 | 8.47 | 102 ⅞ | + ⅛ | 126 ¼ | 99 ⅞ |
| Exch 12pc '13-'17 | 9.20 | 8.71 | 130 ⅞ | + ⅛ | 159 ⅜ | 127 ¼ |
| **Undated** | | | | | | |
| Consols 4pc | 8.70 | - | 46xd | − ⅛ | 59 ⅛ | 44 ⅞ |
| War Loan 3½pc‡‡ | 8.51 | - | 41 ⅛ | + ⅛ | 54 ⅞ | 39 ⅞ |
| Conv 3½pc '61 Aft. | 6.15 | - | 56 ⅞ | − 1 ⅛ | 71 | 55 ⅛ |
| Treas 3pc '66 Aft. | 8.56 | - | 35 ⅛ | + ⅛ | 44 ⅝ | 33 ⅝ |
| Consols 2½pc | 8.44 | - | 29 ⅝ | + ⅛ | 38 ½ | 28 ⅛ |
| Treas. 2½pc | 8.53 | - | 29 ⅛ | + ⅛ | 37 ⅝ | 27 ⅞ |

| Index-Linked | Notes (b) | Yield (1) | Yield (2) | Price £ | + or − | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|---|
| 2pc '96 | (67.9) | 2.75 | 3.92 | 199 ⅛ | + ⅛ | 203 ⅝ | 197 ⅞ |
| 4⅝pc '98‡‡ | (135.6) | 2.86 | 3.61 | 107 ½ | + ⅛ | 113 ⅛ | 106 ⅞ |
| 2½pc '01 | (78.3) | 3.44 | 3.84 | 164 ⅛ | + ⅛ | 176 ⅝ | 163 ¼ |
| 2½pc '03 | (78.8) | 3.55 | 3.87 | 160 ⅛ | + ⅛ | 173 ⅝ | 158 ⅛ |
| 4⅜pc '04‡‡ | (135.6) | 3.58 | 3.89 | 108 ⅛ | + ⅛ | 118 ⅞ | 107 ⅛ |
| 2pc '06 | (69.5) | 3.62 | 3.86 | 165 ⅛xd | + ⅛ | 184 ⅞ | 165 ⅛ |
| 2½pc '09 | (78.8) | 3.71 | 3.92 | 150 ⅛ | + ⅛ | 168 ⅛ | 149 ¼ |
| 2½pc '11 | (74.6) | 3.74 | 3.93 | 155 ⅛ | + ⅛ | 175 ⅞ | 154 ⅛ |
| 2½pc '13 | (89.2) | 3.77 | 3.94 | 127 ⅛ | + ⅛ | 149 ⅛ | 126 ⅞ |
| 2½pc '16 | (81.6) | 3.80 | 3.96 | 135 ⅛ | + ⅛ | 157 ⅛ | 134 ⅞ |
| 2½pc '20 | (83.0) | 3.83 | 3.97 | 129 ⅞ | + ⅛ | 152 ⅞ | 128 ½ |
| 2½pc '24‡‡ | (97.7) | 3.82 | 3.96 | 107 ½xd | + ⅛ | 129 ⅛ | 106 ⅞ |
| 4⅛pc '30‡‡ | (135.1) | 3.85 | 3.98 | 107 ⅛xd | + ⅛ | 128 ⅞ | 105 ⅞ |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1993: 141.8 and for May 1994: 144.7.

### Other Fixed Interest

| Notes | Yield Int | Yield Red | Price £ | + or − | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|
| African Dev 11¼ 2010 | 9.45 | 8.98 | 117 ⅞ | — | 142 ⅛ | 115 ⅞ |
| Asian Dev 10¼pc 2009 | 9.29 | 8.86 | 110 ⅞ | — | 138 ⅛ | 108 ⅞ |
| B'ham 11½pc 2012 | 9.75 | 8.42 | 118 | — | 142 | 115 |
| Ireland Cap 8½pc '10 | 8.67 | - | 98 | — | 116 ½ | 95 ½ |
| 9pc Cap 1996 | 8.87 | - | 101 ½ | — | 103 ½ | 100 |
| 13pc '97-2 | 11.78 | - | 110 ½ | — | 115 ⅞ | 108 ¼ |
| Hydro Quebec 15pc 2011 | 10.60 | 9.88 | 141 ⅞ | — | 169 ⅞ | 139 ⅞ |
| Leeds 13½pc 2006 | 10.87 | - | 129 ⅞ | — | 149 ¾ | 125 ½ |
| Liverpool 3½pc Irred. | 9.59 | - | 36 ½ | — | 44 ¾ | 33 ¾ |
| LCC 3pc '20 Aft. | 9.52 | - | 31 ½ | — | 40 ½ | 29 ¼ |
| Manchester 11½pc 2007 | 10.02 | 9.52 | 114 ¾ | — | 138 ¼ | 112 |
| Met. Wtr. 3pc 'B' | 4.41 | 8.20 | 68 | — | 78 | 65 ½ |
| N'wide Anglia 3⅞pc 2021 | - | 4.59 | 130 ½ | — | 150 ¾ | 129 ⅞ |
| 4⅛pc IL 2024 | - | 4.59 | 125 | — | 145 ¼ | 123 ⅞ |
| Old Max States 10⅝pc 2006 | 11.91 | - | 139 ½ | — | 159 ½ | 138 |

● "Tap" stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

## Newspaper price cuts against industry interests says wholesaler

# John Menzies improves 14%

**By David Blackwell**

A strong performance from distribution was behind a 12 per cent rise in annual profits at John Menzies, the wholesale and retail chain.

Group pre-tax profits rose from £30.7m to £34.4m in the year to end-April, on turnover up from £1.17bn to £1.28bn.

Mr Ranald Noel-Paton, managing director, said the group had produced "solid, sensible results in a difficult year".

The distribution division lifted operating profits by 15 per cent, from £20.9m to £24m, on turnover up 8 per cent, from £768.1m to £829.5m.

Mr Noel-Paton said the newspaper wholesale business had so far been unaffected by the newspaper price war, but "it would be unwise to assume that it won't". Circulations remained under pressure in spite of price cutting which the group does not believe is in the long-term interests of the industry.

However, wholesale growth was driven by a strong performance from magazines and periodicals.

Sales and profits also grew strongly at TBD, which distributes home entertainment and books. Sales at Universal Office Supplies were higher, but intense competition kept profits under pressure.

Operating profits at the retailing side edged ahead to £11.2m (£11.1m) on sales ahead from £375.7m to £402.1m.

John Menzies Retail, with 263 outlets, experienced "tremendous" competition in the high street, with higher sales driven by price cutting. But trials of revised store lay-outs had proved encouraging.

Early Learning Centres had performed "very satisfactorily". The two superstores, which carry clothing and nursery goods as well as toys and books, had proved a success and the group was spending £4m to bring 10 new superstores on stream this year. The group had also opened its first franchised ELC outlet in the Middle East.

Ranald Noel-Paton: solid, sensible results

The group invested £30m in the year, up £8.5m. It plans to invest a similar amount in the current year.

Net interest payable halved from £1.9m to £800,000, reflecting strong cashflow and lower rates.

Earnings per share advanced from 35.3p to 40.7p.

A final dividend of 7.7p is proposed, taking the total to 11.8p (10.8p).

● **COMMENT**

While these results can by no means be seen as disappointing, there are a couple of areas that need to be watched carefully in the current year. The most important is newspaper distribution. While distributors' margins have been protected during the price cuts, they are unlikely to move higher for some time. On the retailing side, the John Menzies shops are not performing as they should be, and it is not yet clear that the management has found the right format. Profits of £37m this year give a prospective multiple of 13 – a discount to the market that makes the shares an unexciting hold.

# British Bus consolidation move

**By Chris Tighe**

British Bus, the Salisbury-based company, looks set to acquire two of the companies formed as a result of the government's 1987 privatisation of the National Bus Company, further consolidating the industry.

The company expects to sign a deal within the next two weeks to acquire Proudmutual Transport Group. This comprises Northumbria Buses and Coaches and Moor-Dale Coaches in north-east England, and Kentish Bus & Coach, now the largest independent operator for London Transport, in north-west Kent and London.

It is also waiting to hear whether shareholders in the Luton & District group of companies, which operates in the north-west home counties, have agreed its offer.

Luton and District's directors have said that with the industry consolidating into "four or five" large bus groups their business should become part of such a group.

The price offered for the two groups has not been disclosed.

British Bus, which operates 2,700 vehicles and employs 5,000 staff, has an annual turnover of more than £115m. It was formed in December 1992 by a management buy-out of Drawlane Transport.

Proudmutual has an annual turnover of about £49m. It operates more than 700 buses and coaches and has some 2,000 employees.

Luton & District operates 500 buses and coaches and employs more than 1,200 people.

Last week Perth-based Stagecoach made a recommended £27.5m share offer for Busways, the main urban bus company in Tyne and Wear, and Aberdeen-based GRT made a recommended offer of £6.7m for Eastern Counties, which serves the Norwich area.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Caldwell Invs § ........int | 0.3875† | Aug 10 | 0.3875 | - | 1 |
| Carclo Eng ........fin | 7.2 | Sept 9 | 6.8 | 9.1 | 8.6 |
| Coda ........int | 0.5 | Sept 12 | - | - | - |
| Fyffes ........int | 0.4294‡ | Aug 12 | 0.3904 | - | 1.378 |
| Menzies (John) ........fin | 7.7 | Oct 28 | 7 | 11.8 | 10.8 |
| MR Furniture ........fin | 2.67 | Oct 7 | 2.5 | 4 | 3.75 |
| Scot & Newcastle ........fin | 11.26† | Sept 5 | 11.07 | 17.25 | 16.83 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence.

# Coda share price falls 54p after £2.6m loss

**By Ian Hamilton Fazey, Northern Correspondent**

Shares in Coda, the Harrogate-based accountancy software group, dropped 54p to 168p after the company announced interim losses of £2.55m pre-tax against profits of £427,000.

The company came to the market in February at 235p.

Directors said the outcome reflected factors beyond their control, principally a 27 per cent slowdown in sales of licensed, dedicated software for Digital VAX hardware.

Coda made an operating profit for the six months ended April 30 of £308,000 (£427,000) before a £2.91m exceptional charge for the employee share ownership programme included in the flotation.

Losses also took account of a 93 per cent increase in research and development spending to £2.7m as Coda stepped up work on its open systems software packages which will run on any hardware. This is a market where Coda is already emerging as a leading supplier.

Open system sales increased more than fourfold to £2.9m. R&D spending for the full year is forecast at £5.5m (£3m), an increase of £1.5m over budget, reflecting the urgency of accelerating product development.

Turnover increased 43 per cent to £13.3m (£9.32m).

The cost of sales rose by 63 per cent to £412,000 (£252,000). Administrative expenses rose by 46 per cent to £12.6m (£8.64m).

Coda made £3.75m on £23.5m turnover in its last full year before flotation, and this was an important feature of its prospectus.

The company said except for the software for Digital VAX equipment, sales were on or ahead of forecast, with its two other licensed, dedicated software packages for HP3000 and IBM AS/400 systems respectively up 23 per cent and 60 per cent respectively.

Losses per share were 8p against earnings of 1.2p; there is an interim dividend of 0.5p.

# Stagecoach and Sheffield Mainline link

**By Andrew Bolger**

Stagecoach has agreed to swap shares with Sheffield Mainline Partnership, which was established in November through an employee buy-out from local authorities in South Yorkshire.

Mainline has recommended its employees should vote for the deal, which involves the exchange of 20 per cent of Mainline's enlarged equity for 500,000 Stagecoach shares.

Mainline said the proposal offered an opportunity to work with a leading bus group, while retaining the principles embodied within its employee-owned structure.

Stagecoach said the agreement would increase its involvement in one of Britain's main metropolitan areas at a time of rapid development in the UK bus industry.

Mr Derek Scott, finance director, said the agreement was a form of courtship: if the relationship worked out, the larger group would eventually seek full control of Mainline.

# Dixon Motors buy

Dixon Motors has acquired R Roodhouse, which holds the Citroën and Budget Rent-a-Car franchises for the Doncaster area, for about £565,000.

Draft management accounts for Roodhouse for the year ended June 30 1994 showed turnover of £4.5m with pre-tax profits of £50,000.

# Own goals keep the underdog in the game

## David Wighton analyses Lasmo's winning strategy

As the City takes stock of Lasmo's victory over the bid from Enterprise Oil last week, merchant bankers have been reaching for sporting metaphors. "If you'd asked me at the start, I'd have put more money on a Briton winning Wimbledon," said one. "It was like Greece taking the World Cup," suggested another.

All agreed it was one of the most unexpected results to a big takeover battle for years. And most agreed it was lost by Enterprise more than won by Lasmo. "Lasmo started off Love-40 down, but Enterprise served three double faults," said one independent investment banker.

He argues that the first was the original terms of the bid, which involved a new class of Enterprise shares and warrants but no cash. "That smacked of over-confidence. The bid showed how a good defence can quickly undermine the view of a good company and its paper."

Enterprise went into the bid with as high a standing in the City as Lasmo's was low. Yet the Lasmo defence managed to raise questions about its record, particularly with its attack on Enterprise's accounting policies, and undermined its share price.

A leading merchant banker said: "Enterprise appeared unprepared for the attack. Their advisers should have anticipated what the Lasmo accountants would say and prepared a proper response."

To be fair, Enterprise was rushed into unveiling the bid by Lasmo's rights issue and the Takeover Panel, and the outcome shows how difficult it is to recover from a bad start.

But independent observers believe it made a fundamental mistake by not offering any element of cash from the start. "I would never advise a client to go into a hostile bid with none of its offer underwritten for cash at all."

The Enterprise camp argues that the initial bid was only an opening shot, and that to underwrite it would have handed fees to the City for nothing. As for the decision not to have any of the improved offer underwritten, there is some disagreement whether Warburg, Enterprise's lead adviser, tried and failed or never tried at all.

Either way there is general agreement that the lack of cash was a deciding factor. "Share-for-share offers are very difficult since improving the terms for the target's shareholders harms the bidder's shareholders. You have to have a very compelling commercial argument. Enterprise didn't, or at least didn't manage to get it across."

This is in contrast to the UK's last big hostile bid – Granada's successful takeover of LWT – where there was both a convincing industrial case and cash.

Perhaps the main lesson for other all paper bids is how tricky buying shares in the market can be. The Takeover Code allows a bidder to buy up to 10 per cent of the target's shares at a price not more than the value of the paper offer.

The rule is a case where the Code allows the principle of equal treatment of shareholders to be relaxed, but the reaction of institutions shows how cherished this principle is. The institutions felt that the way Enterprise's advisers handled the purchases was particularly unfair, although within the rules. However it is unlikely that those that were not favoured rejected the bid out of pique and more probable that Warburg unfortunately sold to institutions that were going to accept anyway.

Whatever the truth, there is a growing feeling that the 10 per cent rule is unsatisfactory and that the Takeover Panel may review its operation in practice.

Although Warburg has come in for serious criticism, it can point to one successful innovation in the bid. For the first time a UK company made a hostile share offer available to the target's US investors. Hostile bids involving the issue of shares are almost unheard of in the US because the new shares have first to be registered with the SEC, a long and public process.

Assisted by Davis, Polk and Wardwell, the New York law firm, Warburg managed to compress into two weeks a process that usually takes at least two months, persuading the SEC to review its registration statement in private. The effort was worthwhile, with almost half Lasmo's US investors, who accounted for 21 per cent of the shares, accepting the offer.

But the bid is likely to remembered less for this neat bit of footwork than for the series of own goals. Enterprise and its advisers will be hoping the City is more forgiving than Colombian football fans.

# Chilly reception for EuroDollar

**By Paul Taylor**

Retail investors have given EuroDollar, the UK's second largest car hire group, which is coming to market through a placing and public offer at 220p, a chilly initial reception.

Only 1.41m valid applications were received for the 5.68m shares available under the public offer and employee priority offer by the deadline on Friday.

These applications will be satisfied in full.

EuroDollar was the subject of a management buy-out from TSB last year. It had earlier been forced to delay issuing its prospectus because of difficult market conditions, and the shares were eventually priced somewhat below earlier estimates.

The issue values the group at £107.9m and is sponsored and fully underwritten by Schroders. It comprises 22.7m shares of which 18.3m are being issued by the company with the remainder sold by existing shareholders. Dealings are set to begin on Friday.

The future over the past as 1980's developers assume the reins

# Pillar Property flotation rests on expectations being realised

By Simon Davies

Pillar Property Investment, which issued its pathfinder prospectus yesterday, is at an important crossroads which will inevitably colour perceptions of its offer of up to £90m of shares.

Set up as a vulture fund to prey on institutional quality properties in the collapsing market of 1991, it has built up a £352m investment portfolio, under the guidance of Mr Robert Maxted, formerly Speyhawk, the collapsed property developer.

However, the company has taken on board two of the better-known developers of the 1980's, Mr Raymond Mould and Mr Patrick Vaughan, and the story of Pillar is now more about the future than the present.

The success of the flotation will depend on expectations that these two men – founders of the enormously successful Arlington Securities property business – can deliver returns a second time.

Backers of Arlington should have fond memories of the £278m buy-out by British Aerospace in 1989, but the new vehicle is very different.

When Pillar was set up, with the backing of British Aerospace, General Electric and Electra, it had detailed and demanding criteria for investment in high grade property.

At present, 64 per cent of its properties are let to either FT-SE 100 companies or government bodies, and there is an average unexpired lease length of 22 years.

More surprisingly, the company estimates that 85 per cent of its leases are now at, or below, current market prices, indicating rental growth from the anticipated upswing.

Pillar estimates that income from existing leases, even if none could be renewed or increased, would exceed current interest and administration costs until 2010.

The company is raising up to £50m in new money from the flotation – the additional shares will come from leading shareholders GE and Electra while management will retain their 11 per cent stake. Debt will fall to £166.6m, with gearing reduced from 168 per cent to 92 per cent, improving interest cover from its £25.2m rent roll.

This provides an attractive, but not unique, investment base, and investor interest will focus on the future direction under Mr Mould and Mr Vaughan.

Their previous achievements has already won them one significant coup, the tying up of a joint venture agreement with Canadian investment group Caisse de dépôt et placement du Quebec.

The joint venture plans to invest up to £240m on shopping centres, which will add to the 41 per cent of Pillar's portfolio that is already retail.

The fact that the Canadians chose Pillar, when they could have picked almost any partner, demonstrates confidence that the Arlington business park skills are transferable.

The pricing is due to be announced on July 28. The company is expected to have a market capitalisation of about £175m.

# MFI to open 20 more stores in France

By David Wighton

MFI plans to add 20 stores to its 46-strong chain of kitchen and bedroom furniture shops in France.

The company is looking at further expansion into Spain and Portugal.

MFI has been in France for 10 years, and picked up seven stores with its Hygena acquisition in 1987.

But it is only since its flotation in 1992 that it has had the resources to develop the market.

"We accelerated last year, adding a net nine new stores, and were delighted with the results. We seem to have a format that works," said Mr Derek Hunt, chairman.

That format is of stores much smaller than MFI's in the UK, but selling mainly UK-manufactured products.

"I enjoy going into the stores and knowing that the kitchens they are buying were made in Hull," said Mr Hunt. Last year French sales grew by 33 per cent, with like-for-like growth of 6 per cent. The operation broke even after substantial store opening costs, and since 80 per cent of its sales were manufactured in-house it made a contribution to group profits.

Most of the stores are in shopping malls dominated by large supermarkets and Mr Hunt believes MFI may be able to move into Spain and Portugal on their coat-tails.

**● COMMENT**

MFI shares have had a nervous few weeks amid increasing signs of a slowdown in the UK housing market. So it was the 13 per cent growth in sales since the year-end which particularly reassured the City yesterday. Of course, that may not last – MFI's markets remain fundamentally volatile. But it is more adept than most at riding the swings and roundabouts. It is not a company to sit back and rely on an economic upturn to generate continued profits recovery. It is working hard on refining its formats and broadening its product range while all the time chiselling away at costs. It still has room to grow in the UK and it might even join the select band of British retailers to make a go of it across the Channel. Assuming it can match last year's profits, without the £19.6m Carpetright gain, the shares stand on a forward multiple of about 14.5. Not expensive at this stage of the cycle.

Lydia van der Meer

John Randall, finance director (left), with Derek Hunt

# National Parking bid faces referral

By Paul Taylor

The proposed bid for National Parking Corporation by a consortium of venture capital investors led by Prudential, the UK insurance group, could trigger a reference to the Monopolies and Mergers Commission.

National Parking, which owns National Car Parks and the fast-growing National Breakdown Recovery service, disclosed last week that it was involved in negotiations which might lead to a bid.

The talks concern the possible acquisition of the 64 per cent stake owned by Sir Donald Gosling and Mr Ronald Hobson, the company's founders. Last week National Parking's shares rose from 450p to 575p in over-the-counter trading, valuing the private company at £675m.

The group made pre-tax profits of £53.3m on turnover of £234m in the year to March 26 1993, including profits of £31.1m on its parking operations.

Despite the concern of the Consumers Association and motoring groups about NCP's domination of private sector parking in the UK, the group has until now remained outside the interests of the Office of Fair Trading, the government's competition watchdog, because of a quirk in the law.

Under the terms of a 1937 court ruling, car park operators are not considered to be providing either goods or services – instead they were deemed to be issuing licences to park – and are, therefore, not subject to competition legislation.

However, in the case of a bid different rules apply. The OFT confirmed that it was examining the position to see if it had any "interest or jurisdiction" should a bid materialise for National Parking.

Under current legislation the OFT can recommend a reference to the MMC if a merger means either that the resulting group controls more than a 25 per cent market share, or because more than £70m of assets are involved. In either case the OFT can decide to recommend a reference, although this does not automatically trigger one. Market structure, the degree of competition between the two companies before the merger, and competition from other companies would also be considered.

# Wembley involved in refinancing talks

By Tim Burt

Mr Luke Johnson and Mr Hugh Osmond, the City entrepreneurs, yesterday said they were discussing a refinancing package with Wembley, the debt-burdened stadium and greyhound track operator.

The pair have drawn up plans for a recapitalisation that would wipe out Wembley's £152m net borrowing and could include a debt-for-equity swap.

Their previous deals include the successful reverse takeover of PizzaExpress and a discounted £1.8m rescue rights issue and debt-for-equity swap at Cupid, the bridalwear group now known as Brackenbridge.

Wembley, however, is understood to be discussing possible deals with other groups, and Charterhouse Bank, its adviser, said the board had not decided on a particular route.

Separate talks are thought to be continuing with Live Entertainments, the promotions business controlled by Mr Harvey Goldsmith, and Apollo Advisors, the US investment group led by Mr Leon Black.

Wembley has faced pressure for a substantial refinancing following mounting losses, which almost doubled from £34.1m to £65.7m in the year to December 31. The company, which repaid £40m to its lenders earlier this year and is committed to a further debt reduction of up to £39.5m by the year end, has blamed large property write-downs and over-expansion for its problems.

■ I£16m acquisition announced ■ Some I£40m earmarked for further expansion

# Fyffes edges ahead to I£14.2m

**By Tim Coone in Dublin**

A sharp drop in interest income held back profits growth at Fyffes, the European fruit and vegetable distributor, which reported pre-tax profits ahead by just £57,000 to I£14.2m (£14m) on turnover up 38 per cent to I£368m for the six months to April 30.

Interest income fell from I£6.62m to I£3.36m because of lower interest rates, but operating profits from trading were lifted 44 per cent to I£10.8m, largely due to the group's two acquisitions in Denmark and Spain last year.

Mr Carl McCann, deputy chairman, said that some 50 per cent of the group's net cash of I£80m will be spent on capital investment and acquisitions this year.

The first of these, announced yesterday, is a 50 per cent stake in Velleman & Tas, a leading banana and fresh produce distributor in the Netherlands for a total consideration of I£15.9m.

The move has been welcomed by market analysts in Dublin, who said that it would lift group turnover to about I£1bn on an annual basis, making Fyffes the second biggest fruit distributor in Europe, and providing a further outlet for new banana supplies coming on stream from Guatemala.

Mr McCann said that on the basis of Velleman's past performance, the acquisition should boost Fyffes' operating profits by I£3.5m over a full year.

He said that although the net worth of Velleman at I£8.6m "is a bit on the light side, we have bought it on a good [earnings] multiple of 4.5".

The acquisition represents "an important step for Fyffes in the development of its continental European business," the company said.

Earnings per share were 2.68p (2.75p) and the interim dividend is raised by 10 per cent to 0.4294p.

● **COMMENT**

The cash hoard which Fyffes has been sitting on for the past three years was good for the bottom line while interest rates were high, but has predictably hit profits now that rates are close to historic lows. It is encouraging, therefore, that the group is delivering on its promise to spend its treasure chest on earnings-enhancing acquisitions and is steadily building its market presence in Europe. If it can break into the French, German and Italian markets with subsequent acquisitions – and it has the wherewithal to do so – Fyffes will then have significant market power on the Continent to take on the likes of Chiquita and Dole. Pre-tax profits of I£34m for the full-year look achievable. A prospective p/e of 13.4 is on the high side, but not unjustified looking ahead to 1995.

# Debt forgiveness helps put TBI £22.5m in black

**By Roland Adburgham, Wales and West Correspondent**

TBI, the property investment and development company acquired by Markheath in a reverse takeover in March, reported a pre-tax profit of £22.5m in the year to March 31.

The results were distorted by the restructuring and debt forgiveness of £27.2m. Markheath, which suffered in the commercial property downturn, was heavily indebted to banks led by Midland and ANZ. It incurred a restated loss of £88.8m in 1992-93.

In the reconstruction, Markheath acquired Thomas Bailey Investments, a private property company in south Wales. The estimated net asset value at completion of Thomas Bailey was about £7.2m, which was satisfied by the issue of 37m new ordinary shares.

In addition, Markheath raised £24.1m via a share placing and open offer. The company then changed its name to TBI and is now based in Cardiff and London.

A one-off payment of £47m has been made to creditor banks and £37.2m written off. In addition to the new equity, about £25m of new debt was raised with Barclays.

Mr Michael Rendle, chairman, said the balance sheet now indicated a company of substance with net assets of £41.7m. "Interest costs and overheads are now more than covered by our rental income and we can address the future with renewed confidence." The property portfolio was valued at £96.5m with annualised rental income of about £7m.

Earnings per share were 18.42p after debt forgiveness. Before, there were losses of 3.88p (55.29p losses). No dividend is proposed but Mr Rendle said the board intended to pay dividends at the earliest possible opportunity.

Mr Paul Guy, chief executive, said: "There is a very good base to take the company forward. We intend very much to be extremely active with regard to acquisitions and disposals."

One property, at Bridgend in south Wales, had recently been sold for £4.1m when it was in the books at £2.7m, he said.

## Seton makes £3.5m purchase

Seton Healthcare Group has acquired the Medised brand from Macarthy Laboratories for £3.5m cash.

Medised is a leading over-the-counter product for colds and flu in children.

The acquisition represents another step in Seton's strategy of building a portfolio of established healthcare brands, which the group can promote through its sales network to pharmacists and consumers.

In the 12 months to June 30, unaudited sales attributable to the Medised brand were about £725,000.

# Smiths Industries expands third leg

**By Andrew Bolger**

Smiths Industries, best known for aerospace and medical products, has enlarged its industrial group with a third acquisition in that area this year.

Smiths has paid $10m (£6.7m) cash for Dura-Vent, a privately-owned US ducting business in Indiana which makes fume extraction products for industrial process machinery.

The deal brings Smiths' spending on industrial acquisitions this year to £34m, and to almost £130m over the past three years.

Mr Roger Hurn, chairman and chief executive, said: "This shows the industrial group's growing significance alongside our two other businesses, aerospace electronics and medical systems.

"We have demonstrated our ability both to identify niche businesses, which have an established position in their particular markets and to integrate them quickly with our existing activities. Such acquisitions soon make a positive contribution to the industrial group's strong performance, based on high margins and excellent cash-flow."

The downturn in aerospace has caused profits from that division to be overtaken by medical systems, although last year aerospace had sales of £393m compared with £181m for medical systems.

Last month's £100m acquisition by Smiths of Deltec, a US medical equipment manufacturer, will increase healthcare sales by more than a third. The industrial group's annual sales are now running at more than £200m, including recent acquisitions.

Dura-Vent will be integrated into Flexible Technologies, Smiths' existing hosing and ducting business in North America.

In April, Smiths paid £21.6m for Totco, the US heating element company, and in May bought Elkay Electrical, based in Newtown, Wales, for £6m.

Since 1991, when it acquired Flexible Technologies, Smiths has invested almost £130m on acquisitions for the industrial group. The largest was Vent-Axia, the UK-based ventilation business bought from APV for £55.8m in 1992.

# £109,500 bonus for Steel chief

**By Andrew Baxter**

Mr Brian Moffat, chairman and chief executive of British Steel, received a £109,500 performance-related bonus for the 1994 fiscal year, when the company bounced back into profit after two years of losses.

The bonus, detailed in the group's annual report, formed part of £389,667 in performance-related payments to British Steel's seven executive directors for the year ended April 2.

British Steel paid no bonuses under the scheme for executive directors in the previous two years, when pre-tax losses totalled £204m.

Last month, however, it reported pre-tax profits of £80m for the year to end-April.

Excluding the bonus, Mr Moffat received £386,690 in salary and related benefits, compared with £321,690 in the previous year.

The rise reflects his appointment in May last year as chairman, in addition to his role as chief executive.

# Slough Estates reveals plan to delist Bredero

**By Simon Davies**

Investors in Bredero Properties, the property developer, are looking to British Land for a lead in how to react to the news that Slough Estates will delist Bredero after the close of the current privatisation offer, on July 29.

British Land recently purchased a 6.9 cent stake in Bredero, and is refusing to comment on its plans. However, it is unlikely to want to emerge as a passive investor in a private company.

Slough made its 10p a share offer on May 26 (when the share price was 15p), but at the initial close on June 17, it had acceptances from only 6.76 per cent of outside shareholders, adding to its existing 49.5 per cent stake.

Mr Trevor Brown, who owns more than 4 per cent of Bredero's shares, described the move to delist as "blatant bullying". However, under Stock Exchange regulations, directors do nor require shareholders's approval for such a move.

Slough said it will not increase its offer, but Mr Derek Wilson, group managing director, denied that the threat of delisting was a means of pushing shareholders into accepting the offer. "The company, as it stands at the moment, is finished. It has no income-bearing assets, and the overhead needs to be reduced."

Smaller shareholders may be discouraged from retaining shares in a private company, but marketmakers have said they would trade shares on a matched bargain basis, assuming that there remains a substantial minority shareholding.

## COMPANY NEWS: UK

# Carclo shows 50% advance to £12.9m

By Andrew Baxter

Carclo Engineering boosted pre-tax profits by 50 per cent, from £8.6m to £12.9m, for the 12 months to March 31 1994.

The Sheffield-based steel and specialist engineering concern is raising its final dividend from 6.8p to 7.2p.

The sharp rise in profits was due mainly to a stronger than expected performance at Arthur Lee, the steel and plastic products group acquired in June last year.

As a consequence, group turnover jumped by 81 per cent, from £84.4m to £153m.

During the period, which included the pre-acquisition period, the Arthur Lee division lifted operating profit by 66 per cent to £7.3m on an 11 per cent rise in turnover to £84.3m.

The best performance among the Lee businesses was in steel wire, where improved margins contributed to a trebling of operating profit to £1.5m.

Steel profits more than doubled to £3.9m, but plastics profits fell 8 per cent to £1.8m.

The performance of Carclo's other main businesses was mixed. The card clothing division suffered a 24 per cent fall in operating profit to £2.4m, reflecting continuing recession in the textile industry.

The wire division, in contrast, lifted profits by 4 per cent to £2m, while general engineering profits improved by 11 per cent to £2.9m.

The increased final dividend takes the total for the year to 9.1p (8.6p). covered 1.73 times by earnings per share ahead from 14.6p to 15.7p in spite of a sharply increased share capital.

Year-end net borrowing, at £2.2m, amounted to 3.1 per cent of shareholders' funds, which increased from £45m to £71m during the year.

Mr John Ewart, chairman, said the enlarged group's order intake in opening quarter of the current year compared favourably with the same period a year ago, in spite of difficult trading conditions in some markets.

# No hatchet job on a bright jewelled crown

## Andrew Baxter on a £55m merger which doubled group size and filled new niches

The performance of Carclo's Arthur Lee steel and plastic products division inevitably dominated yesterday's results.

But Mr John Ewart, Carclo's sprightly 70-year-old chairman, says last summer's £55m merger means much more than a short-term boost to profits.

The agreed takeover of Arthur Lee has nearly doubled the engineering group's size and raised its profile in the City.

In the long term it will be the company's most important move since it took over the English Card Clothing Company – a rival producer of card clothing, the consumable teeth used in carding machines to comb fibre – in 1979.

Mr Ewart sees the merger as a key move in Carclo's strategy of increasing the real value of assets and earnings per share by owning and developing niche engineering businesses.

He gives a number of reasons why Carclo spent three years stalking Arthur Lee.

First, he says, "it is extremely difficult to find good niche businesses, and Arthur Lee was the jewel in the crown of Yorkshire business".

Also, Lee had a specialist wire rope business, John Shaw. This and Bruntons at Carclo were the UK's two biggest manufacturers after Bridon, the market leader.

The sector had suffered in the recession and it made sense to bring the two second runners together, says Mr Ewart.

And, along with the specialist steel strip business for which Lee was best known, it had also built up a good position in plastics.

The hunt for Lee began in 1990. Carclo had sold Jonas Woodhead's springs and forgings business to Hoesch of Germany for £21.3m and began buying shares in Lee.

Two years later, it took its stake to 29.9 per cent, thus clearly signalling its intentions without having to make a full bid, by buying a 22 per cent stake from GM Firth. After some three months of tough bargaining an agreed deal was announced in May last year.

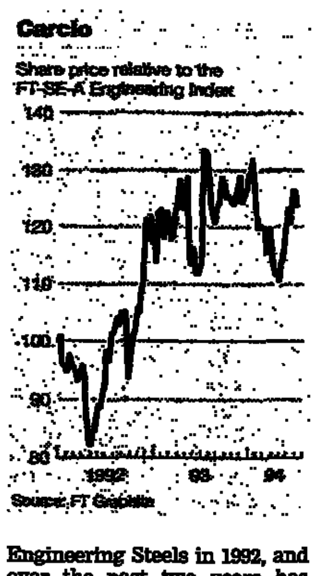
The 7-for-9 share offer with a cash alternative was carefully structured to keep both sides happy. It also compensated Lee shareholders for losing control just as market conditions were picking up.

"Arthur Lee had gone through a bad patch but was recovering rapidly," says Mr Ewart.

The bidder also had to recognise it would be buying Lee after the bulk of much-needed restructuring work had been completed.

"We had done an enormous amount of rationalisation," says Mr Peter Lee, former chairman at Lee and now deputy chairman at Carclo.

On the steel side, Lee sold its bright bar business to United




Engineering Steels in 1992, and over the past two years has completely revised wages and incentives.

The plastics side has also been rationalised from four to two businesses, serving the medical and consumer electronics sectors.

The rationalisation explains why the merger has not been followed by heavy wielding of the hatchet.

The two companies employed a workforce of 2,822 before the deal, and the combined total now is down by only 70.

This was partly due to the transfer of wiremaking from Bruntons in Edinburgh to Smiths in Halifax. The rest of the cuts mainly resulted from moving Carclo's head office into Lee's Sheffield headquarters.

The merged company is already benefiting from such savings and from its increased buying power for steel and energy. Analysts believe the company is likely to see further benefits emerge over the next two years from closer working arrangements between the reorganised businesses.

Carclo is also starting to reap the benefits from capital investment which had been implemented or planned before the merger.

Gill's Cables, part of the general engineering division, is a recent beneficiary, while ECC's manufacturing efficiency has been increased by moving from its old site in Huddersfield to an adjacent building. The move did cause some disruption, however, which contributed to the fall in the division's 1993-94 profits.

The Lee steel strip business has spent some £5m since 1990 on new equipment.

That excludes a £2.25m "stretch bend leveller" which was rolled into place this weekend. This is crucial to Lee's plans to expand its presence in markets where near-perfect flatness of strip steel is paramount, such as the springs on floppy disks.

In the medium term, the Lee takeover is also important because growth prospects look stronger in its businesses.

In steel strip, world demand for stainless steel is expected to grow at 5 per cent a year into the next decade, with growth in flat cold-rolled stainless exceeding that.

Stainless accounts for 61 per cent of Lee Steel Strip's "prime" sales (excluding tonnage processed for other companies).

The remaining 39 per cent of the business is in a specialised form of high carbon steel, with which Lee has become world leader in the production of steel for seat belt springs.

Elsewhere, immediate prospects vary. Card clothing may not have been "jumping ahead" recently, said Mr Ewart, but it is a relatively high margin business where entry costs are high and Carclo is one of a handful of world competitors.

In the wire division, companies such as Joseph Sykes are thriving by concentrating on speciality wire. Sykes has become one of the world leaders in nylon-covered wires and is very export-oriented. Still to come, Mr Ewart hints, could be one or two add-on acquisitions in the core businesses, possibly in continental Europe where possible candidates have already been visited.

Some tidying up is also likely, and the company could raise £15m from sales of surplus property and non-core businesses such as steel stockholding.

## NEWS DIGEST

### Caldwell shares hit by warning

Shares of Caldwell Investments fell 9p to 49p after the USM-quoted textiles group warned of a trading slowdown in Germany, its main market.

Mr Stanley Wootliff, chairman, said that after an "excellent" first three months the level of demand "dropped significantly" in the second quarter.

On turnover of £3.39m (£2.96m), pre-tax profits for the six months to April 30 fell from £176,300 to £147,500 as operating income was hit by a *force majeure* contract cancellation.

The interim dividend is maintained at 0.3875p, payable from earnings of 1.15p (1.48p) per share.

### Casket issues trading warning

Casket, the UK's second largest bicycle manufacturer which also distributes clothing and hosiery, has warned that "the promising start to the new financial year has not been sustained and in both our businesses... we have been experiencing very competitive trading conditions.

"As a result, prompt action has been initiated by the board to reduce costs to reflect the current levels of demand."

### Dwyer Estates back in black with £0.38m

Dwyer Estates, the Irish property investment and trading group, returned to the black in the six months to March 31 with a pre-tax profit of £378,000, against a loss of £729,000.

The recovery was achieved on turnover down from £2.82m to £2.43m and struck after a cut in interest payable from £2.06m to £965,000 and a reduction of realised deficit on sale of properties from £537,000 to £37,000.

Earnings per share emerged at 0.99p (2.69p losses).

Directors said that following December's rights issue, which increased net worth by £12.3m, net assets at end-March were £26.7m – 52p a share – and net debt stood at £29.8m, giving gearing of 111 per cent.

The company has changed its domicile to the UK through a new scheme of arrangement under which shareholders have been allotted shares in the new holding company in exchange for their existing shares. In addition, under the new scheme of arrangement, the historical deficit on the profit and loss account has been eliminated to facilitate a return to dividends.

### US partnership to take Holmes stake

Holmes Protection, the US security group which is quoted in the UK, has signed an agreement with HP Partners LP, under which HP will invest $10m (£6.5m) in Holmes.

HP – a New York-based partnership formed specifically to make this investment – will receive in exchange 21.2m shares of common stock at 47.1 cents each and 9.6m warrants, each to purchase one share of common stock at 32.7 cents.

The transaction will give HP a 34 per cent stake in the company. The proceeds will be used to meet liabilities and particularly to repay Holmes' $3m short term bank debt.

Holmes has agreed to seek a listing on Nasdaq and intends to delist its shares from London once the US listing is effective and taking account of access of existing stockholders to a public trading market.

In its results for the 1993 year, announced yesterday, Holmes reported a fall in pre-tax profit from $4.18m to $503,000 on turnover down from $56.2m to $53m. First quarter 1994 profits, however, were little changed at $338,000 ($345,000), on $12.9m ($13.7m) turnover.

### TR Technology net assets rise

Net asset value per share of TR Technology rose by 40 per cent to 241.17p over the year to April 30.

After-tax revenue amounted to £3.67m (£3.19m) and earnings emerged at 3.71p (2.7p). The dividend is lifted from 1.75p to 2.75p, which includes a 1p special.

### CrestaCare to buy ScotCare for £12.5m

CrestaCare, the third largest private nursing home operator in the UK, is to expand into Scotland with the proposed £12.5m acquisition of ScotCare, the nursing home group.

The consideration is to be satisfied in part by an issue of 20.8m new shares at 30½p, providing £6.35m.

The remainder will be payable in cash, with £4.36m due on completion and £1.8m in September 1995.

### David Brown buys French gear maker

David Brown Group, via its David Brown France Engrenages offshoot, has acquired three French industrial gears manufacturing and repair businesses, Weco, Cellard and DSN.

The price is FFr12.6m (£1.5m), together with assumption of finance lease obligations of some FFr2.5m. Net assets being acquired had a value of about FFr11.9m as at June 1 1994; estimated operating profits for the 11 months to November 30 were FFr3.6m.

### Druck expands with Fl 8.2m acquisition

Druck Holdings has acquired Unomat Instrumenten, based in Nieuwegein, Netherlands, and Unomat Inc, of Delaware, US, for a total consideration of about Fl 8.2m (£3m cash).

Unomat Instrumenten makes portable field calibrators, thermocouples and resistors and Unomat Inc distributes the products in North America.

Combined net assets of the two companies is about Fl 3.1m, including Fl 1.2m cash.

# London aluminium price touches a 39-month high

By Kenneth Gooding, Mining Correspondent

Aluminium touched $1,530 a tonne, a 39-month high, on the London Metal Exchange yesterday as investment funds continued to make their presence felt in the metal markets.

However, some profit-taking emerged and there was no support for prices from the US, where markets were closed for Independence Day. So aluminium for delivery in three months eased back to close at $1,519, up $9.

Aluminium's fundamental situation was improving, said Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, "but the market appears to have run ahead of itself to some extent". Cuts in western world daily output had yet to translate into a sustained fall in the huge stocks overhanging the market.

Mr MacMillan said that, if prices continued to strengthen, producers might be tempted to restart capacity at present shut down. However, for the time being Billiton was assuming this would not happen and it had revised its aluminium price forecast for 1994 up from an average of 54 cents a pound ($1,190 a tonne) to 60 cents.

# Big copper deficit estimated

By Kenneth Gooding, Mining Correspondent

Copper's recent price rise followed a substantial deficit in supply during the first quarter of this year. Nickel and tin supplies were also outpaced by demand in the quarter, according to the UK-based World Bureau of Metal Statistics.

However, the aluminium market continued to be plagued by a supply surplus, as did the lead and zinc markets.

Its latest quarterly review, the WBMS said a big increase in demand for copper plus a fall in both western production and net imports from the former eastern bloc countries, helped copper to a first-quarter supply deficit of 264,000 tonnes.

The bureau estimated that copper demand rose by 7.5 per cent in the first quarter compared with the same months of 1993 to 2.42m tonnes. Meanwhile, refined copper production slipped by 3.3 per cent to 2.15m tonnes and net eastern bloc imports dropped from 43,000 to 12,000 tonnes.

Nickel producers helped themselves by cutting production substantially in the early months of this year because of the low prices at that time. Refined nickel output dropped by 10 per cent to 124,000 tonnes in the first quarter. There was also a sharp fall in net eastern bloc imports, down from 20,000 to 8,000 tonnes. A near-2 per cent rise in consumption, from 162,000 to 165,000 tonnes left the market with a supply deficit increased from 4,000 to 33,000 tonnes.

Tin's deficit slipped slightly in the quarter, from 9,000 to 8,000 tonnes reflecting a 3 per cent rise in output to 34,000 tonnes and static consumption at 42,000 tonnes.

Consumption of aluminium in the quarter was shown 5.7 per cent ahead at 3.8m tonnes, while production eased by more than 2 per cent to 3.66m tonnes.

The aluminium market was still left with a surplus of 157,000 tonnes, but that was down from a 457,000 tonnes in the same quater last year.

The WBMS estimated that net eastern bloc aluminium imports in the quarter were still high by past standards, but they slipped from 318,000 to 302,000 tonnes.

Zinc's supply surplus in the quarter also fell back – from 79,000 to 59,000 tonnes. Slab zinc output was down by 0.8 per cent, from 1.38m to 1.37m tonnes, net eastern bloc imports were down from 47,000 to 29,000 tonnes while consumption was down by 0.7 per cent at 1.34m tonnes.

The surplus of lead supplies in the quarter increased from 79,000 to 89,000 tonnes, boosted by in net eastern bloc imports – nil in the first quarter of 1993 – to 9,000 tonnes.

Lead's prospects were helped by producer cuts at the mines. According to the WBMS western world refined lead output and consumption both edged up by 0.6 per cent, to 1.15m tonnes and 1.068m tonnes respectively.

**Western World Supply and Consumption (thousand tonnes)**

| | 1994 Jan-March | 1993 Jan-March | | 1994 Jan-March | 1993 Jan-March |
|---|---|---|---|---|---|
| **Aluminium** | | | **Nickel** | | |
| Supply | 3,962 | 4,058 | Supply | 132 | 158 |
| Consumption | 3,805 | 3,599 | Consumption | 165 | 162 |
| **Copper** | | | **Tin** | | |
| Supply | 2,158 | 2,262 | Supply | 34 | 33 |
| Consumption | 2,422 | 2,253 | Consumption | 42 | 42 |
| **Lead** | | | **Zinc** | | |
| Supply | 1,157 | 1,141 | Supply | 1,401 | 1,490 |
| Consumption | 1,068 | 1,062 | Consumption | 1,342 | 1,351 |

Source: World Bureau of Metal Statistics. Supply figures allow for net east-west trade.

# Farmers join environmentalists in reform call

By Alison Maitland

A group of prominent UK farmers and environmentalists yesterday launched a campaign to reform the common agricultural policy, describing it as "an astonishing abuse of public money".

"At the moment, the more intensively you farm, the more handouts you get," said Mr Patrick Holden of the Soil Association, Britain's leading organic farming organisation, at the Royal Show in Warwickshire, England's biggest annual agricultural event. "We want to change that so that it becomes commercially possible for farmers to farm in a more environmentally friendly way."

The Gay Hussar Group, named after the London restaurant where its members thrashed out their platform, includes Mr Jonathon Porritt, former director of Friends of the Earth, Sir Simon Gourlay, a past president of the National Farmers' Union, and Ms Marie Skinner, a member of the NFU's policy-making council.

Mr Oliver Walston, a large-scale arable farmer in Cambridgeshire and a leading critic of the £3bn paid annually in subsidies to UK farmers, admitted he had undergone a conversion to the environmentalist cause.

"Two years ago I was out of touch with their sort of farming," he said. "But the situation in the countryside is economically and politically unsustainable."

The group is calling for CAP subsidies to be redirected from production support to maintaining the landscape and wildlife, cutting pollution and rebuilding rural economies. "As a result, food surpluses will be reduced and farmers will be brought closer to the market place," it argues.

It also wants to end "the insanity" of set-aside, under which farmers are compensated for leaving the land uncultivated.

Most of the group's ire was directed at what Mr Porritt described as "the misdirection of public monies and policy" by the British ministry of agriculture. But Sir Simon Gourlay accepted that CAP policy was determined by the EU and that other European governments and farmers "would need a lot of persuading".

Some farmers in the UK, too, have yet to be persuaded of the need for CAP reform. Sir David Naish, NFU president, said yesterday that the union's recent policy document on options for reform "has initiated a discussion which some would probably prefer not to have".

However Sir David, who has been meeting EU counterparts to discuss reform, said there was a feeling in Europe "that no longer have the treasuries in any member state the willingness to throw money at agriculture to get rid of the problem".

● Mrs Gillian Shephard, UK agriculture minister, yesterday announced a 33 per cent increase in funding to nearly £1.8m a year for research into new industrial and energy crops that could be grown on set-aside land. "About a sixth of our arable land is now in set-aside and there is justifiable concern that more positive use should be made of it," she said.

# Feel-good factor leads UK growers into danger

## Plans for increased spending may be an over-reaction to short-term financial benefits

**FARMER'S VIEWPOINT**

By David Richardson

The crops beside the road between my farm in Norfolk and the Royal Agricultural Showground in Warwickshire confirmed my judgment that, in spite of the late spring, the grain harvest would begin at about the usual time in a few weeks.

Winter sown barley had turned from green to cream and the hot, dry spell over much of southern England had begun to ripen wheat as well. Indeed there were patches in many fields along the road where the short sharp summer drought had caused crops to die off rather than mature gently; and that bodes ill for potential yields.

But even though my car windscreen quickly became splattered with dead aphids, which in large numbers can cause serious damage to cereal crops, I concluded that there was little I could economically do at this stage to influence the result of the harvest and continued on to the show.

The cereal variety plots, grown by the National Institute of Agricultural Botany for demonstration purposes on the showground, gave a similar picture. It was interesting to note the emphasis the institute now gives to natural resistance to or tolerance of pests and diseases. Growers are advised to select for such characteristics (defined in NIAB literature) for economic as well as environmental reasons.

But it is not just as simply and uncomplicated as that. Yield penalties on winter sown wheat, where no fungicides are used, can, according to the NIAB, be as high as 38 per cent and are seldom less than 14 per cent. Clearly a judicious and limited usage of chemical is these days most appropriate in order to optimise yield and maximise profit. A few years ago yield was everything and most farmers applied whatever it took to achieve the maximum. Some of us believe we are a bit more sophisticated today.

Meanwhile there is a real danger that the recent short-term improvement in UK farmers' fortunes, which is not shared by most other EU farmers and is based almost entirely on the accident of sterling's devaluation, might promote a false sense of long-term security across the industry. Moreover a survey by the Royal Agricultural Society of England, which stages the Royal Show, suggests that that may already be happening.

Each year the society attempts to measure the mood of the agricultural sector. The results of the poll it took among its members last autumn, which almost by definition are bigger than the average farmer in England, indicate that, based on increases in income, some confidence has returned to the industry following the devaluation.

More than three quarters of respondents said they were planning to invest in their businesses within 12 months, the majority intending to buy machinery. A further devaluation of the green pound last Friday triggered by the recent decline in the value of the pound against other European currencies, adds about 1.25 per cent to farm price guarantees and area payments for set-aside and the like. On the face of it this appears to justify the ebullient mood which has already resulted in significant increases in sales of tractors to UK farmers.

According to the Agricultural Engineers Association 1993 saw a rise in new tractor sales of 33 per cent and during the first six months of 1994 the figure is up 9.7 per cent on the same period in 1993. Some industry pundits predict that the trade will continue to increase while others suggest the year-end figure will be similar to last year's. Meanwhile manufacturers, who cut back capacity during several years of declining sales, are finding it difficult to keep up with demand.

It seems churlish to question the wisdom of all this business during a colourful and jolly trade event like the Royal Show. But I am not the only one doing so.

**The improvement in farmers' fortunes is based almost entirely on the accident of sterling's devaluation**

The government's Agricultural Development and Advisory Service is also counselling caution. In a comprehensive strategy document, launched at the show, ADAS points out that the profitability of arable farming "has now passed its peak and will continue to decline as CAP [the European Community's common agricultural policy] reform measures take effect".

The document considers each sector of agriculture and horticulture in turn and projects the effects of the General Agreement on Tariffs and Trade settlement as it too is implemented. It concludes that reform measures and the single EU market will intensify competition for home sales; that the Gatt deal will increase competition on export markets; and that a further and much more financially stringent reform of the CAP is inevitable within the next two or three years.

"A two-speed agriculture could develop" says ADAS, "with the larger, dynamic businesses taking the lions share, with the remainder relying on EU support for their contributions to the wider economy." And the agency urges farmers with ambitions to be in the dynamic group to adapt their business practices to ensure success.

One of the changes necessary is to keep tight control of expenditure. Those booming tractor sales may be good for the farm machinery trade in the short term, but they suggest to me that some of those who have been buying have not yet learned that lesson.

# Free access to plant genetic resources assured

## Geoff Tansey reports on an agreement to put gene collections under intergovernmental control

A new international agreement, guaranteeing equitable access to plant genetic resources should be signed within a few months.

This follows the conclusion last Friday of the second session of the Intergovernmental Committee of the Convention on Biological Diversity in Nairobi, Kenya, where delegates agreed that ther should be no intellectual property rights governing the use of the 500,000 crop samples held in the gene banks of 11 international agricultural research centres.

The committee gave "strong support for finalising the agreement between the United Nations Food and Agriculture Organisation and the international research centres as soon as possible".

It will put the various collections under centralised intergovernmental control under the management of the FAO's Commission on Plant Genetic Resources.

The agreement means that the collections will not the centres' assets but globally-owned resources and the centres will manage them as trustees not owners, according to Dr Geoff Hawtin, director of the International Plant Genetic Resources Institute.

The centres will be charged with the responsibility of ensuring continued availability of materials under free access.

There will also be no intellectual property rights (patents or plant breeder's rights) on those materials in the collections, which mainly come from developing countries, and this condition will be passed on to recipients of the samples.

The institute has the lead role in dealing with plant genetic resources among the 17 centres funded by the Consultative Group on International Agricultural Research, an informal group of donors. Each centre, however, is an independent legal entity governed by a board of trustees. Every year, more than 120,000 germplasm accessions from the collections and 500,000 samples of improved materials are distributed by the centres, mainly to developing countries.

The agreement has already been accepted by the FAO's governing council, the commission and the individual centres.

The opening of the Nairobi meeting was overshadowed by accusations by some non-governmental organisations that the World Bank was attempting to seize control of the consultative group's activities regarding plant genetic resources and to delay signing of any agreements until 1996.

These fears were rejected by Mr Ismail Serageldin, Chairman of the consultative group and a vice president of the World Bank, as based on "fanciful guesswork not backed up by facts".

However, Mr Henk Hobbelink, director of Genetic Resources Action International (Grain) says that in a letter sent before the meeting he told one of the non-governmental organisations that it would be "foolhardy to lock into agreements" before them.

In a statement issued to the meeting, Dr Serageldin said: "The CGIAR is committed to carrying out the responsibilities of trusteeship [over the genetic resources in its gene banks] in concert with FAO and its Commission on Plant Genetic Resources, and with the contracting parties to the Convention on Biological Diversity".

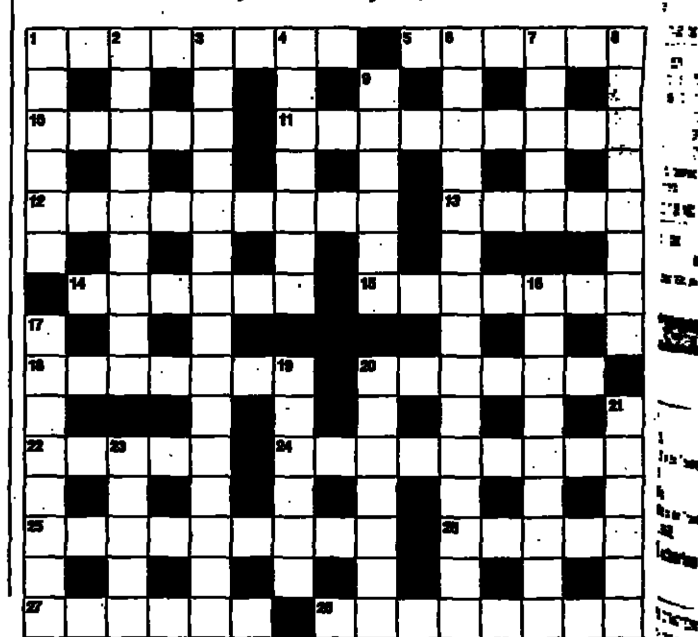
Mr Hawtin welcomes the "clear message from Nairobi that says sign". The consultative group would like to sign the agreement but since it is not a legal body it can only do so if each centre delegates its signature to the group chairman. This is what is likely to happen, believes Mr Hawtin; but he sees possible delays if some centre boards still have to meet to give approval.

"I'd rather see a quick signature than delays", he says, as would the non-governmental organisations, which welcome the Nairobi meeting's call for an agreement as soon as possible.

They see it as an important step in ensuring equitable access to the world's genetic resources.

## CROSSWORD

No.8,497 Set by ALAUN



**ACROSS**

1 Having stopped drifting, earned in no time (4,4)
5 He starts being less secretive (6)
10 After the outcry, try to find the animal (5)
11 The followers will construct a stand round about here (9)
12 Just said the chaps taking it back had done wrong (9)
13 Had turned down about a quarter (5)
14 Nip – in the bud? (5)
15 Makes no move to support the child (5,2)
18 Dives round the vessel as twilight turns to night (7)
20 The water, very hot, burned (6)
22 By adding it to has made a hash of (5)
24 Bobby socks are delivered with it (9)
25 The vocal inflections, Rod holds, are Chinese (9)
26 Unexpected result that will perturb (5)
27 Give to the girl-friend on entering (6)
28 Having had a meal in the pub, coming back was assaulted (6,2)

**DOWN**

1 As a mother myself, accommodating the French lady (6)
2 For which the chef who's going places cooks? (6,3)
3 The cause of Monsieur's mealtime cough? (4,2,3,6)
4 A sturdy stem (7)
6 Where my money goes – or that's my story! (8,7)
7 Outstanding material (5)
8 One of the occupants let the players in (8)
9 Is the sun hell? Then they will provide some coolness (6)
16 Three months before entering, come to your senses (3,6)
17 Lent was brought forward (8)
19 A pet compiler? (6)
20 They use switches for the rest (7)
21 Running with the pack, isn't breaking the record (2,4)
23 Saw a comeback for the group (5)

Solution to Saturday's prize puzzle on Saturday July 16.
Solution to yesterday's prize puzzle on Monday July 18.

**JOTTER PAD**

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1494-5 | 1519-20 |
| Previous | 1485.5-8.5 | 1510-11 |
| High/low | 1499 | 1530/1518 |
| AM Official | 1498.5-99.0 | 1524-4.5 |
| Kerb close | | 1518-9 |
| Open int. | N/A | |
| Total daily turnover | N/A | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1475-85 | 1490-500 |
| Previous | 1470-5 | 1492-5 |
| High/low | | 1503/1495 |
| AM Official | 1483-88 | 1502-3 |
| Kerb close | | 1495-500 |
| Open int. | N/A | |
| Total daily turnover | N/A | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 567-8 | 583-4 |
| Previous | 567.5-8.5 | 582-3 |
| High/low | 586/585 | 587/576 |
| AM Official | 568.5-9.0 | 584-4.5 |
| Kerb close | | 577-8 |
| Open int. | N/A | |
| Total daily turnover | N/A | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6310-15 | 6405-10 |
| Previous | 6320-25 | 6410-15 |
| High/low | | 6470/6365 |
| AM Official | 6335-6 | 6436-40 |
| Kerb close | | 6380-90 |
| Open int. | N/A | |
| Total daily turnover | N/A | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5300-10 | 5375-77 |
| Previous | 5360-70 | 5435-9 |
| High/low | | 5440/5370 |
| AM Official | 5325-8 | 5390-400 |
| Kerb close | | 5380-5 |
| Open int. | N/A | |
| Total daily turnover | N/A | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 957-8 | 982-3 |
| Previous | 959.5-60.5 | 983-4 |
| High/low | | 990/981 |
| AM Official | 959-9 | 983.5-4.0 |
| Kerb close | | 980-1 |
| Open int. | N/A | |
| Total daily turnover | N/A | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2454-5 | 2469-70 |
| Previous | 2423.5-4.5 | 2441-2 |
| High/low | | 2472/2432 |
| AM Official | 2454-5 | 2468.5-9.5 |
| Kerb close | | 2464-5 |
| Open int. | N/A | |
| Total daily turnover | N/A | |

### Base metals continued

■ LME AM Official £/$ rate: 1.5381
LME Closing £/$ rate: 1.5379

Spot: 1.5389 3 mths: 1.5380 6 mths: 1.5375 9 mths: 1.5382

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 386.70-387.20 | |
| Opening | 388.20-388.60 | |
| Morning fix | 387.30 | 251.771 |
| Afternoon fix | 386.60 | 251.039 |
| Day's High | 388.90-389.30 | |
| Day's Low | 386.40-386.80 | |
| Previous close | 384.80-385.20 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.12 | 6 months | 4.62 |
| 2 months | 4.24 | 12 months | 5.11 |
| 3 months | 4.31 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 349.60 | 538.60 |
| 3 months | 353.80 | 544.80 |
| 6 months | 358.05 | 551.25 |
| 1 year | 369.25 | 568.10 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 393-396 | 256-259 |
| Maple Leaf | 397.30-399.80 | |
| New Sovereign | 92-95 | 60-63 |

### ENERGY

■ CRUDE OIL IPE ($/barrel)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| Aug | 17.48 | -0.11 | 1759 | 1745 | 63,987 | 16,072 |
| Sep | 17.21 | -0.12 | 1732 | 1720 | 38,941 | 8,265 |
| Oct | 17.08 | -0.09 | 1717 | 1706 | 9,992 | 419 |
| Nov | 17.00 | -0.07 | 1712 | 1700 | 8,310 | 425 |
| Dec | 16.98 | -0.07 | 1706 | 1698 | 11,219 | 785 |
| Jan | 16.88 | -0.07 | - | - | 3,506 | 1,198 |
| Total | | | | | 140,189 | 27,280 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| Jul | 152.50 | -1.75 | 154.00 | 152.00 | 23,325 | 3,782 |
| Aug | 155.50 | -1.50 | 156.75 | 155.25 | 20,775 | 1,525 |
| Sep | 157.50 | -1.50 | 158.25 | 157.75 | 9,888 | 84 |
| Oct | 160.25 | -1.50 | 161.50 | 160.25 | 8,131 | 328 |
| Nov | 162.50 | -1.50 | 162.50 | 162.50 | 8,129 | 10 |
| Dec | 164.25 | -1.25 | 164.75 | 164.00 | 14,391 | 19 |
| Total | | | | | 93,494 | 5,731 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 102.00 | +0.25 | 102.00 | 101.80 | 463 | 3 |
| Nov | 102.50 | +0.85 | 102.65 | 102.45 | 2,307 | 40 |
| Jan | 104.50 | +0.15 | 104.60 | 104.35 | 1,416 | 62 |
| Mar | 106.05 | +0.20 | 106.05 | 105.90 | 485 | 31 |
| May | 107.55 | - | 107.65 | 105.95 | 392 | 10 |
| Total | | | | | 5,063 | 146 |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 99.50 | -0.50 | - | - | 202 | - |
| Nov | 101.10 | - | - | - | 397 | - |
| Jan | 101.75 | - | - | - | 28 | - |
| Mar | 103.50 | +0.50 | 103.50 | 103.50 | 35 | 3 |
| May | 104.60 | - | - | - | - | - |
| Total | | | | | 663 | 3 |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Nov | 90.0 | - | - | - | - | - |
| Mar | 105.0 | - | - | - | - | - |
| Apr | 179.3 | +3.0 | 180.0 | 172.0 | 856 | 236 |
| May | 181.5 | - | - | - | - | - |
| Jun | 187.5 | - | - | - | - | - |
| Total | | | | | 866 | 236 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 1308 | +8 | 1310 | 1305 | 749 | 32 |
| Aug | 1292 | +7 | 1290 | 1289 | 594 | 10 |
| Sep | 1320 | +45 | - | - | - | - |
| Oct | 1354 | +1 | 1354 | 1360 | 486 | 5 |
| Jan | 1377 | +4 | - | - | 236 | - |
| Apr | 1399 | +6 | - | - | 109 | - |
| Total | | | | | 2,173 | 47 |

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 995 | +6 | 997 | 989 | 2,623 | 159 |
| Sep | 1012 | +8 | 1020 | 1002 | 17,636 | 2,494 |
| Dec | 1019 | +11 | 1028 | 1015 | 27,356 | 1,017 |
| Mar | 1037 | +7 | 1047 | 1034 | 29,705 | 1,049 |
| May | 1047 | +7 | 1050 | 1041 | 11,045 | 58 |
| Jul | 1057 | +8 | 1058 | 1058 | 3,406 | 51 |
| Total | | | | | 101,618 | 4,975 |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 3016 | -137 | 3030 | 3020 | 2,594 | 666 |
| Sep | 3053 | -145 | 3120 | 3010 | 21,163 | 2,024 |
| Nov | 3058 | -158 | 3100 | 3080 | 8,809 | 427 |
| Jan | 3058 | -155 | 3115 | 3059 | 8,635 | 610 |
| Mar | 3065 | -128 | 3075 | 3050 | 3,457 | 65 |
| May | 3050 | -146 | 3062 | 3042 | 379 | 6 |
| Total | | | | | 44,889 | 3,800 |

### Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Oct | 12.00 | -0.10 | - | - | 1,122 | - |
| Jan | 11.82 | - | - | - | - | - |
| Mar | 11.75 | - | - | - | 60 | - |
| Total | | | | | 1182 | - |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Aug | 345.00 | -0.50 | 345.40 | 344.00 | 10,113 | 333 |
| Oct | 321.30 | +1.10 | 322.00 | 319.70 | 10,754 | 234 |
| Dec | 316.80 | +1.40 | 317.00 | 316.50 | 931 | 19 |
| Mar | 312.90 | +1.50 | 312.90 | 312.20 | 3,373 | 88 |
| May | 312.10 | +1.50 | - | - | 374 | - |
| Aug | 311.40 | +1.50 | - | - | 342 | - |
| Total | | | | | 26,866 | 674 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Sep | Dec | Sep | Dec |
|---|---|---|---|---|
| 1500 | N/A | - | - | - |
| 1525 | N/A | - | - | - |
| 1550 | N/A | - | - | - |
| **■ COPPER (Grade A) LME** | **Oct** | **Dec** | **Oct** | **Dec** |
| 2400 | N/A | - | - | - |
| 2450 | N/A | - | - | - |
| 2500 | N/A | - | - | - |
| **■ COFFEE LCE** | **Sep** | **Nov** | **Sep** | **Nov** |
| 2800 | 691 | 782 | 136 | 204 |
| 2850 | 657 | 731 | 154 | 223 |
| 2900 | 625 | 701 | 172 | 243 |
| **■ COCOA LCE** | **Sep** | **Dec** | **Sep** | **Dec** |
| 975 | 70 | 101 | 33 | 57 |
| 1000 | 56 | 86 | 44 | 69 |
| 1050 | 35 | 67 | 73 | 98 |
| **■ BRENT CRUDE IPE** | **Aug** | **Sep** | **Aug** | **Sep** |
| 1650 | - | - | 10 | - |
| 1700 | 58 | - | - | - |
| 1750 | 28 | - | - | - |

**Tea**
A good demand prevailed report the Tea Broker Association. Best liquoring and good medium East Africans opened firm to dearer but tended easier by the close. Mediums ruled firm with colouary types often dearer while Central Africans sold readily but at lower rates. There were less withdrawals than of late. Quotations: best available 280p/kg, nom good 160p/kg, good medium 150p/kg, medium 125p/kg,low medium 92p/kg. The highest price realised this week was 290p for a rwanda pl.

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

| | | +or- |
|---|---|---|
| Dubai | $15.99-6.11q | -0.135 |
| Brent Blend (dated) | $17.34-7.36 | -0.230 |
| Brent Blend (Aug) | $17.46-7.48 | -0.160 |
| W.T.I. (1pm est) | $19.55-9.57 | |

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $181-182 | -2 |
| Gas Oil | $152-154 | -1.5 |
| Heavy Fuel Oil | $88-90 | -0.5 |
| Naphtha | $163-165 | -2 |
| Jet fuel | $163-165 | -2 |

Petroleum Argus Estimates

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $386.95 | +1.95 |
| Silver (per troy oz)♣ | 540.00c | +5.50 |
| Platinum (per troy oz.) | $410.00 | +3.35 |
| Palladium (per troy oz.) | $143.75 | +0.90 |
| Copper (US prod.) | 112.0c | |
| Lead (US prod.) | 35.75c | |
| Tin (Kuala Lumpur) | 13.75m | +0.10 |
| Tin (New York) | 247.50c | |
| Zinc (US Prime W.) | Unq. | |
| Cattle (live weight)† | 120.00p | -2.19* |
| Sheep (live weight)†♣ | 98.10p | +1.60* |
| Pigs (live weight) | 75.84p | -4.81* |
| Lon. day sugar (raw) | $298.5 | +3.9 |
| Lon. day sugar (wte) | $348.0 | -0.5 |
| Tate & Lyle export | £306.0 | +2.0 |
| Barley (Eng. feed) | £100.5t | |
| Maize (US No3 Yellow) | $143.5 | |
| Wheat (US Dark North) | £180.0 | |
| Rubber (Jul)♥ | 81.25p | |
| Rubber (Aug)♥ | 81.00p | |
| Rubber (KL RSS No1 Jul) | 301.0m | +2.0 |
| Coconut Oil (Phil)§ | $602.5z | -2.5 |
| Palm Oil (Malay.)§ | 472.5q | +2.5 |
| Copra (Phil)§ | $397 | |
| Soyabeans (US) | £180.0q | -3.0 |
| Cotton Outlook 'A' index | 81.75c | -0.60 |
| Wooltops (64s Super) | 426p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t July/Aug. q Aug. z Jun/Jul. w July. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Jul 4 | Jul 1 | month ago | year ago |
|---|---|---|---|
| 2085.8 | 2074.1 | 1974.5 | 1680.4 |

■ CRB Futures (Base: 4/9/56=100)

| Jul 1 | Jun 30 | month ago | year ago |
|---|---|---|---|
| 230.03 | 230.39 | 232.05 | 212.01 |

# LONDON STOCK EXCHANGE

MARKET REPORT

# Good advance by shares but trading moderate

By Terry Byland,
UK Stock Market Editor

A very buoyant start was made by UK equities yesterday to what promises to be an eventful week for global securities markets. Encouraged by firmness in bonds and in other European stock markets, shares moved ahead steadily as investors weighed the prospects for concerted action to stabilise the US dollar by the Group of Seven countries at next weekend's meeting in Naples.

The FT-SE 100 Index closed a further 34 points higher at 2,970.4, about four points under the day's best. The broader market was also firm, taking the FT-SE Mid 250 Index ahead by 14.6 to 3,430.4. But trading volume was modest, and London, similar to other markets, showed the effects of the Independence Day closure in US markets.

US Federal bonds, which have often held the key to trading in European bonds in recent weeks, were not traded in either New York or Tokyo yesterday. UK traders commented that the London market might not have been fully tested yesterday, and noted how quickly the Paris market turned off on bad news just before the close of business.

Markets were also bracing themselves for the meeting today of the Federal Reserve's Open Market Committee and for Thursday's routine policy meeting at the Bundesbank. Either the Fed or the Bundesbank could take action on interest rates, but markets heeded comments yesterday from the Bonn Finance Ministry that there might be no major initiative planned on dollar support.

**Account Dealing Dates**

| | | |
|---|---|---|
| *First Dealings: | | |
| Jun 20 | Jul 4 | Jul 18** |
| Option Declarations: | | |
| Jun 30 | Jul 14 | Jul 28 |
| Last Dealings: | | |
| Jul 1 | Jul 15 | n/a |
| Account Day: | | |
| Jul 11 | Jul 25 | n/a |

*New time dealings may take place from two days earlier. **New 10-day settlement system starts

Shares opened quietly but extended gains in modest trade as UK government bonds rose. The markets remained optimistic on the outlook for the domestic economy, although some analysts expressed concern over the Item Club report which cast doubts on the upbeat forecasts of the UK Treasury.

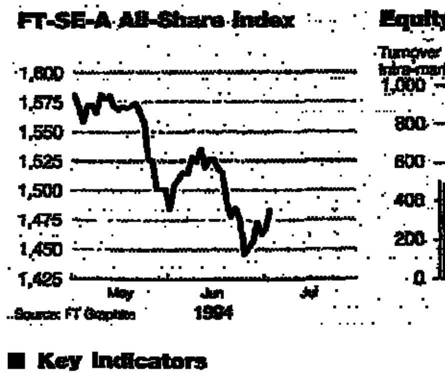
Retail stocks, including the leading store names, responded vigorously to the rise of 6 per cent in UK June M0 money supply, and were unperturbed by a significantly smaller increase in May credit business that had been expected. On balance, the statistics were seen as pointing the way to continued recovery in retail spending, regarded as the necessary base for sustained economic recovery.

Seaq-reported trading volume for the day fell to only 483.3m shares from the 517.1m of the previous session. On Friday, retail, or genuine customer, business in equities was worth only £943.5m, one of the lowest daily figures for the year. By comparison, in the middle of last week, trading sessions recorded volume of more than 760m shares for a retail value of comfortably above £1bn.

Corporate developments provided some features, mostly on the positive side of the market ledger. Vodafone strengthened after confirming increasing customer sales in the buoyant, if competitive, market for cellular phones. The repercussions, of the failed takeover bid in the oil sector continued, with Enterprise Oil sharply off following widespread criticism of the board's handling of the offer, while Lasmo, the escaped victim of Enterprise, moved ahead.

Few strategists saw much reliable direction in the UK stock market until next week, when the outcome of the G7 meeting will have become known. But the underlying tone of the market apeared firm, with most UK stockbroking concerns predicting rises of around 11 per cent in the FT-SE 100 Index by the end of this year.

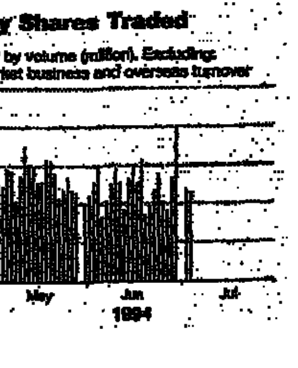
FT-SE-A All-Share Index




Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




■ Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 2970.4 | +34.0 | FT Ordinary Index | 2324.4 | +29.0 |
| FT-SE Mid 250 | 3430.4 | +14.6 | FT-SE-A Non Fins p/e | 18.81 | (18.68) |
| FT-SE-A 350 | 1493.3 | +14.6 | FT-SE 100 Fut Sep | 2987.0 | +38.0 |
| FT-SE-A All-Share | 1483.03 | +13.55 | 10 yr Gilt yield | 8.70 | (8.75) |
| FT-SE-A All-Share yield | 3.98 | (4.02) | Long gilt/equity yld ratio: | 2.20 | (2.19) |

| Best performing sectors | | Worst performing sectors | |
|---|---|---|---|
| 1 Building Materials | +2.8 | 1 Electricity | -1.1 |
| 2 Life Assurance | +2.6 | 2 Distributors | -0.8 |
| 3 Insurance | +2.5 | 3 Oil Exploration & Prod | -0.4 |
| 4 Gas Distribution | +2.2 | 4 Textiles & Apparel | -0.2 |
| 5 Telecommunications | +1.8 | 5 Spirits, Wines & Cider | -0.1 |

## Vodafone back on line

Better than expected new subscriber figures for the second quarter from Vodafone, the leading cellular phones group in the UK, saw the company's shares extend their recent recovery.

During the second quarter Vodafone attracted 155,000 net new subscribers to its cellular network. "These are great numbers; Vodafone has added as many new customers to date as it did in the whole of 1993," said Mr Mark Lambert, a telecoms specialist at NatWest Securities.

The NatWest analyst said the new subscriber figures underpinned increased forecasts for the company's earnings pencilled in following the preliminary figures announced early last month.

Vodafone shares, which fell to an 11-month low of 473p only a week ago, moved up a further 10 to 509p on the news, which helped to confirm the group's position as the leading brand name in the UK mobile phones market, in spite of sharply increased competition.

This has come from Mercury's One-to-One cellular network, launched last autumn, and a heavy marketing programme for Orange, the new network launched by Hutchison Telecom.

### Enterprise setback

The failure of Enterprise Oil's bid to absorb fellow oil exploration group Lasmo saw the former's shares wilt under heavy selling pressure following a welter of criticism in the weekend press.

Enterprise shares were the worst performers in the FT-SE 100 list, closing 9½ lower at 389p. Turnover of 5.7m shares was the fourth highest this year.

Dealers said the market had taken Enterprise's failure in the bid battle very badly, and that there had been growing criticism of Mr Graham Hearne, Enterprise's chairman and chief executive and viewed by the market as the architect of the bid strategy.

A number of brokers were said to be recommending a switch out of Enterprise and into Lasmo, notably Kleinwort Benson and Nomura, a move which helped Lasmo shares move up 3 to 139p on heavy turnover of 10m. Nomura said: "The clear message of the Enterprise bid is that Lasmo is undervalued in relation to Enterprise."

Other analysts, however, said there was a danger that selling of Enterprise could be overdone. "It was the terms of the offer that was given a vote of no confidence, rather than Enterprise as a company," said one. He added that all the bad news that could possibly emerge on Enterprise in the short term had done so, by courtesy of Lasmo. "The bad news is all in the price," he said.

### Granada on offer

The offer of a large line of stock depressed leisure and television group Granada. The stock retreated 5¾ to 492p, with most of the day's volume of 1.5m shares said to have been done in one hit as a big US holder relinquished part of its holding.

The stock has been under a cloud since last week's stake reduction by Mercury Asset Management, the single largest stakeholder, with 15.8 per cent.

The two building sectors, construction and building materials, were heavily bought, with sector analysts pointing to hopes of cuts in German interest rates, and strong buying after the poor showing of both sectors during the last quarter.

"It seems sector rotation principles are having a run," the analyst said. He added that the sectors performed well in the first quarter of the year but abysmally in the second. "Buying of the stocks can be increasingly supported by the earnings recovery story but the general feeling is that the buying has come from fund managers with a one quarter time horizon."

In the housebuilders/construction stocks, Wilson Bowden rose 14 to 412p. The best performances in building materials came from RMC, 29 higher at 863p, Blue Circle, 13 better at 304p, and Meyer International, 20 up at 404p. Wolseley put on 32 at 772p.

Brewer Scottish & Newcastle ended the day 2 lower at 501p in spite of annual profits which were up 21 per cent and in line with analysts' forecasts.

Reuters was strong as the market responded to US buying late on Friday. Dealers said the gains in the US had prompted bear closing in London, a situation where dealers who have gone short of stock buy the shares back. The shares rose 18 to 448p.

ICI shares, up 3 at 793p, failed to react significantly to news that the company was considering the flotation of its European Vinyls Corporation subsidiary.

Negative comment over one of its products saw SmithKline Beecham "A" declined 4 to 404p. However, analysts dismissed the claim that sales of Tagamet, SmithKline's ulcer drug, had collapsed in the US since its patent expired in May.

Final turnover of more than 26m shares was believed to have reflected several big tax-related "bed-and-breakfast" trades which were transacted at 375p a share shortly before the close of dealing. Wellcome was similarly affected, with 6.8m dealt at 560p a share – well below the market price.

Clothes retailer Laura Ashley fell 5 to 68p on the news that it had lost its finance director to Burton. Ashley's loss was not Burton's gain and the latter was flat at 57½p.

A rise in profits for furnishing group MFI saw the shares gain 3 to 142p. However, some analysts said the pre-tax improvement to £34.4m from £30.7m previously was flattered by various factors.

Speculation of an impending rights issue saw shares in Hartstone, the socks and stockings company, fall 3¼ to 34p.

Courtaulds grew 6 to 485p ahead of a visit by analysts to Germany next week to inspect one of the company's joint operations with Hoechst.

Shanks & McEwan gained 4 to 88 following a newspaper article suggesting that the troubled waste disposal group was a likely takeover target from international freight management company Ocean, which fell 3 to 278p.

British Aerospace advanced 10 to 464p, boosted by positive remarks from Charterhouse Tilney.

Rolls-Royce moved ahead 6 to 181p, with Lehman Brothers reported to have shown a keen interest in the stock.

News from engineering group GKN that its defence division had signed an agreement of more than $225m with Kuwait on the sale of armoured vehicles helped the shares gain 9 at 566p.

Talk of a profits downgrading for Vickers checked an early advance in the shares and they finished 3 up at 174p.

**MARKET REPORTERS:**
Peter John,
Joel Kibazo,
Steve Thompson.

■ Other statistics, Page 25

## NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (13).
BREWERIES (1) Hok (J), DISTRIBUTORS (1) Polar, ELECTRNC & ELECT EQUP (4) Fujitsu, Kembrey, Microvitec, TGI, EXTRACTIVE INDS (1) Impala Plat, INSURANCE (1) Lombard Insce., INVESTMENT TRUSTS (1) Abtrust Prefered Zero Div Pf, PRTNG, PAPER & PACKG (1) Kleerfold, TEXTILES & APPAREL (1) Wensum, AMERICANS (1) Amer. Cyanamid.
NEW LOWS (56).
BUILDING & CNSTRN (3) Berkeley, Gleeson (M.J), McAlpine (A), BLDG MATLS & MCHTS (1) Albrighton, CHEMICALS (3) AGA, BTP, Metrotect Inds, DISTRIBUTORS (4) Bearing Power, Coskot, Heritage, Wills, DIVERSIFIED INDLS (2) Hanson 9½pc Cnv Bd, Staveley, Unidare, ELECTRNC & ELECT EQUP (4) Astec (BSR), Azlan, Danka Bus. Systems, Peek, ENGINEERING (5) Chemring, Concentric, Hunting 8¼pc Prf., Jones & Shipman, Prospect Inds., ENG, VEHICLES (2) Motor World, Sytone, EXTRACTIVE INDS (4) FOOD MANUF (4) Acatos & Hutch, Devro, Golden Vale, Nichols (Vimto), HEALTH CARE (5) Court Cavendish, Intercare, Quality Care Homes, Scholl, Takare, HOUSEHOLD GOODS (2) IWP, Mayborn, INSURANCE (2) Archer, Hibernian, INVESTMENT TRUSTS (9) INVESTMENT COMPANIES (1) Enviromental Inv, LEISURE & HOTELS (1) Quadrant, MEDIA (4) Aveseo, MMI, Phonelink, Quarto, MERCHANT BANKS (1) Warburg (S.G.), OIL EXPLORATION & PROD (3) Europa Energy, Evergreen Res, Oceonics, OTHER FINANCIAL (3) OTHER SERVS & BUSNS (1) Cape Range, PHARMACEUTICALS (1) Astra B, PRTNG, PAPER & PACKG (4) Clondalkin, Field, Inveresk, Sidlaw, PROPERTY (4) Chesterfield, Debenham Tewson & Chinnocks, Five Oaks Invs, London Indl, RETAILERS, GENERAL (6) Ashley (L), Clinton Cards, Country Casuals, Rossbys, Smith (W. H.) A, SUPPORT SERVS (7) TEXTILES & APPAREL (5) Claremont Garments, Hartstone, Lamont, Lister, Sirdar, TRANSPORT (1) Seacon, WATER (1) Bristol Water, AMERICANS (3) CANADIANS (3)

## EQUITY FUTURES AND OPTIONS TRADING

Hopes of greater stability for the US dollar, together with renewed firmness in European bond markets, brought an advance in the derivatives, although volumes remained thin, *writes Joel Kibazo.*

The September futures contract on the FT-SE 100 opened at 2,952 and buying from independent traders, also known as locals, steadily sent the contract ahead.

The strength of bonds provided a useful lead to futures and the release of UK economic data helped to boost trading further,

US markets, usually a factor in afternoon trading, were closed for the Independence Day holiday, but September remained in positive territory for most of the session and reached a peak of 2,988. It was at a premium to cash for most of the day.

The contract finished at 2,987, up 38 from Friday's close and about 10 points above its fair value premium to cash which has fallen to 5 points on this account. Volume was very thin, a mere 7,695 lots being dealt by the close.

Turnover in the traded options was also poor, amounting to just 18,342 contracts. Only 4,156 lots were traded in the FT-SE 100 option and 3,550 in the Euro FT-SE option. Lasmo, which recently escaped the clutches of Enterprise Oil, was the busiest stock option with a total of 3,327 contracts traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 2952.0 | 2987.0 | +38.0 | 2993.0 | 2951.0 | 7695 | 51099 |
| Dec | - | 2995.0 | +38.0 | - | - | 0 | 952 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sep | 3426.0 | 3436.0 | +16.0 | 3436.0 | 3426.0 | 46 | 4432 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sep | - | 3436.0 | - | - | - | - | 636 |

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2972) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

## FT - SE Actuaries Share Indices — The UK Series

| | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|
| FT-SE 100 | 2638.5 | 4.17 | 7.06 | 16.74 | 53.67 | 1111.26 |
| FT-SE Mid 250 | 3219.0 | 3.62 | 5.94 | 20.29 | 58.09 | 1288.02 |
| FT-SE Mid 250 ex Inv Trusts | 3237.4 | 3.78 | 6.43 | 18.89 | 60.26 | 1265.17 |
| FT-SE-A 350 | 1421.2 | 4.04 | 6.81 | 17.44 | 26.56 | 1143.56 |
| FT-SE SmallCap | 1642.66 | 3.15 | 4.24 | 29.96 | 23.88 | 1389.54 |
| FT-SE SmallCap ex Inv Trusts | 1646.34 | 3.32 | 4.65 | 27.80 | 24.55 | 1355.94 |

[illegible]

## TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| ASDA Group† | 3,700 | 54½ | +1¾ |
| Abbey National† | 1,600 | 407 | +7 |
| Albert Fisher | 1,900 | 46½ | -½ |
| Allied-Lyons† | 849 | 545 | +2 |
| Anglian Water | 1,600 | 484 | +4 |
| Argos | 93 | 344 | +1 |
| Argyll Group† | 2,200 | 255½ | +4½ |
| Arjo Wiggins† | 2,500 | 271½ | +½ |
| Assoc. Brit. Foods† | 912 | 527½ | +18½ |

[illegible]

## LONDON EQUITIES

## LIFFE EQUITY OPTIONS

[illegible]

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 55 | 3 | 14 |
| Other Fixed Interest | 0 | 0 | 15 |
| Mineral Extraction | 91 | 30 | 79 |
| General Manufacturers | 184 | 107 | 365 |
| Consumer Goods | 61 | 28 | 102 |
| Services | 119 | 65 | 323 |
| Utilities | 21 | 16 | 8 |
| Financials | 97 | 83 | 190 |
| Investment Trusts | 152 | 23 | 283 |
| Others | 51 | 41 | 40 |
| Totals | 831 | 396 | 1429 |

Data based on those companies listed on the London Share Service.

## TRADITIONAL OPTIONS

| | | | |
|---|---|---|---|
| First Dealings | June 27 | Last Declarations | Sept 29 |
| Last Dealings | July 8 | For settlement | Oct 10 |

Calls: Aminex, BTR Wts '93/94, Division Grp, Bibby (J), Mirror Grp, NSM. Puts: NSM. Puts & Calls: HSBC (75p), Harrisons & Crosfield, Warburg (SG).

## LONDON RECENT ISSUES: EQUITIES

[illegible]

## RIGHTS OFFERS

[illegible]

## FINANCIAL TIMES EQUITY INDICES

[illegible]

## FT GOLD MINES INDEX

[illegible]

# LONDON SHARE SERVICE

## BANKS

[illegible]

## BREWERIES

[illegible]

## BUILDING & CONSTRUCTION

[illegible]

## BUILDING MATS. & MERCHANTS

[illegible]

## CHEMICALS

[illegible]

## DISTRIBUTORS

[illegible]

## DIVERSIFIED INDUSTRIALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONIC & ELECTRICAL EQPT

[illegible]

## ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING, VEHICLES

[illegible]

## EXTRACTIVE INDUSTRIES

[illegible]

## FOOD MANUFACTURERS

[illegible]

## GAS DISTRIBUTION

[illegible]

## HEALTH CARE

[illegible]

## HEALTH CARE - Cont.

[illegible]

## HOUSEHOLD GOODS

[illegible]

## INSURANCE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

## LONDON SHARE SERVICE

### INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1994 high | 1994 low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Perpetual Japan | □ | 114½ | +½ | 120 | 89 | – | 114.6 | 0.1 |
| Warrants | □ | 57 | – | 88 | 47 | – | – | – |
| Personal Assets | | 579 | – | 694 | 579 | 3.1 | 8149.5 | 9.0 |
| Pilot Inv | □ | 129xd | – | 169 | 129½ | 1.5 | 131.5 | 1.9 |
| Warrants | □ | 46 | – | 69 | 44 | – | – | – |
| [illegible] | □ | 92 | – | 96 | 91 | – | 92.3 | 0.3 |
| Warrants | □ | 33 | – | 38 | 33 | – | – | – |
| Primadona | | 264 | – | 291 | 264 | 2.1 | 298.8 | 11.6 |
| [illegible] | □ | 206xd | – | *276 | 206 | 2.0 | 243.3 | 15.3 |
| Warrants | | 78 | – | 140 | 78 | – | – | – |
| RIT Capital | □ | 174xd | – | 180 | 170 | 1.1 | 223.5 | 22.1 |
| 2½pc Cv Ln 2000 | | £173½ | – | £186½ | £170½ | 1.4 | – | – |
| [illegible] | □ | 78 | – | 89 | 70 | – | 73.3 | -6.0 |
| [illegible] | | 186 | – | 184 | 153 | 6.9 | – | – |
| Cap | | 463 | – | 505 | 440 | 2.3 | 498.7 | 7.2 |
| [illegible] | | 106xd | – | 121 | 106 | 9.2 | – | – |
| Cap | □ | 30½ | – | 39 | 30½ | – | 41.2 | 26.0 |
| Warrants | | 14 | – | 17 | 13 | – | – | – |
| [illegible] | □ | 128 | +1 | 147 | 113 | 8.1 | 106.4 | -11.3 |
| Warrants | | 29 | +2 | 49 | 28 | – | – | – |
| Zero Div Pf | | 111½ | +1 | 118½ | 110 | – | – | – |
| [illegible] | | 99 | – | 106 | 90 | 10.5 | – | – |
| Prfd Cap 1999 | | 24 | +½ | 35 | 23 | – | 33.1 | 27.5 |
| [illegible] | □ | 122 | +1 | 170 | 118 | 4.1 | 135.1 | 9.7 |
| Warrants | | 36 | +1 | 77 | 32 | – | – | – |
| [illegible] | □ | 116xd | – | 127 | 114 | 8.9 | – | – |
| Cap | □ | 119 | – | 150 | 118 | – | 174.4 | 31.8 |
| Warrants | | 38 | – | 49 | 30 | – | – | – |
| [illegible] | | 159 | – | 162 | 149½ | 4.7 | – | – |
| [illegible] | □ | 106xd | – | 113 | 105 | 10.3 | – | – |
| Cap | □ | 80 | – | 118 | 80 | – | 129.6 | 38.3 |
| Warrants | | 4 | – | 11 | 4 | – | – | – |
| Zero Div Pf | | 85¼ | +¼ | 85¼ | 83¼ | – | – | – |
| St Andrew | | 302 | – | 343 | 280 | 3.2 | 314.1 | 3.9 |
| St [illegible] Inc | | 141 | – | 142 | 124 | 12.9 | – | – |
| Cap | | 167 | – | 223 | 167 | – | 238.8 | 30.1 |
| Zero Pf | | 146½ | +½ | 151½ | 142½ | – | – | – |
| [illegible] | □ | 81½ | – | 98 | 81 | – | 92.7 | 12.1 |
| Warrants | □ | 26 | +1 | 43 | 20 | – | – | – |
| SPLIT Inc | | 179 | – | 230 | 170 | 20.4 | – | – |

[illegible]

### LEISURE & HOTELS - Cont.

[illegible]

### OIL, INTEGRATED

[illegible]

### OTHER FINANCIAL

[illegible]

### PROPERTY - Cont.

[illegible]

### SPIRITS, WINES & CIDERS

[illegible]

### SUPPORT SERVICES

[illegible]

### TRANSPORT - Cont.

[illegible]

### WATER

[illegible]

### AMERICANS

[illegible]

### CANADIANS

[illegible]

### LIFE ASSURANCE

[illegible]

### MEDIA

[illegible]

### OTHER SERVICES & BUSINESSES

[illegible]

### TELECOMMUNICATIONS

[illegible]

### TEXTILES & APPAREL

[illegible]

### OTHER INVESTMENT TRUSTS

[illegible]

### INVESTMENT COMPANIES

[illegible]

### MERCHANT BANKS

[illegible]

### RETAILERS, FOOD

[illegible]

### PHARMACEUTICALS

[illegible]

### OIL EXPLORATION & PRODUCTION

[illegible]

### PRINTING, PAPER & PACKAGING

[illegible]

### RETAILERS, GENERAL

[illegible]

### TOBACCO

[illegible]

### TRANSPORT

[illegible]

### LEISURE & HOTELS

[illegible]

### PROPERTY

[illegible]

### SOUTH AFRICANS

| | Notes | Price | + or - | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £27¼ | – | £27½ | £13½ | 1,774 | 2.7 | 19.9 |
| Barlow | Z | £4⅞xd | +⅛ | £5⅞ | £3⅞ | 971.3 | 0.7 | – |
| Gold Flds Prop R | | 99 | -1 | 108 | 76 | 10.1 | 10.1 | 8.8 |
| MK Props | s | 85 | – | 95 | 85 | 3.42 | 10.5 | 34.9 |
| SASOL | | 339 | +11 | 382 | 280 | 1,921 | 4.6 | – |
| SA Brews | | £11⅞ | +⅛ | £18⅞ | £10 | 6,372 | 2.3 | 19.2 |
| Tiger Oats | † | 613xd | – | 838 | 538 | 929.9 | 2.6 | 12.9 |
| Tongaat-Hulett | | 696xc | -3 | *738¼ | 427½ | 498.5 | 2.3 | 18.6 |

### GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- [illegible] Not officially UK listed; dealings permitted under rule 535(4)(a)
- [illegible] Free annual/interim report available, see details below.
- [illegible] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- [illegible] Not officially UK listed; dealings permitted under Rule 535(2)
- [illegible] Price at time of suspension
- [illegible] Indicated dividend yield after pending scrip and/or rights issue.
- [illegible] Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- [illegible] Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. *This charge is included in the price of units.*

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a *formula laid down by the government.* In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The *prices shown are the latest available before* publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. *The prices appearing in the newspaper are the most recent provided by the managers.*

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

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## OTHER UK UNIT TRUSTS

## INSURANCES

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Equitable plc - Contd.

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

Sun Alliance Group - Contd.

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

## LUXEMBOURG (SIB RECOGNISED)

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Frontrunner I (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

S.G. Warburg Asset Mngmt Lux SA

## LUXEMBOURG (REGULATED)(**)

H.C.M. HYPO Capital Mgt Luxembourg SA

Templeton Worldwide Investments

## OTHER OFFSHORE FUNDS

Emerging Markets Management

Jardine Fleming Unit Trusts Ltd - Contd.

Portuguese Investment Fund Ltd

JERSEY

MANAGED FUNDS NOTES

**MARKETS REPORT**

# Market marks time

The Independence day holiday in the US, and caution ahead of today's FOMC meeting, ensured that the dollar yesterday traded in a fairly narrow range, *writes Philip Gawith.*

The US currency finished little changed in London, at Y98.9 from Y98.705 on Friday, and DM1.5965 from DM1.5946.

With the US market closed, the market had effectively shut by mid-afternoon in London, with one leading bank reporting that most of its spot-traders had taken off to watch the crucial Ireland-Holland match in the World Cup.

Traders said investors, faced with a bewildering array of monetary policy meetings this week, appeared to have taken to the sidelines. There is increasing scepticism, however, about the likelihood of co-ordinated policy action in support of the dollar from leading industrial nations.

In Europe, the Swedish krona and Italian lira recovered from their weakness of last week. Sterling had an uneventful day, with the sterling index closing unchanged at 79.6.

■ There was little fresh news for the market to chew on, save for comments from President Clinton that "We do not believe a country can devalue itself into prosperity."

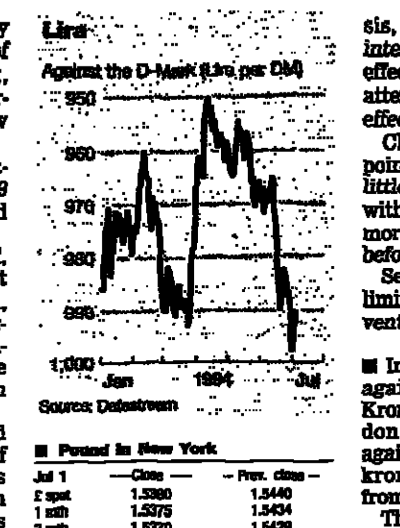
Commenting on the dollar's recent weakness, Mr Clinton added that "great care should be taken before unusual actions are taken." Some traders interpreted this as diminishing the likelihood of concerted intervention.

Bolstering this impression were comments from Mr Gert Haller, state secretary in the German finance ministry, that the current dollar-D-Mark rate, of about DM1.60, "corresponds to the long term average." He added: "I haven't understood the excitement about the dollar in relation to European currencies."

While few analysts rule out the possibility of a monetary tightening from the policy-making Federal Open Markets Committee, most agree that this would be motivated by domestic economic conditions, rather than the weakness of the dollar.

**Lira**

Against the D-Mark (Lira per DM)




Source: Datastream

■ **Pound in New York**

| Jul 1 | — Close — | — Prev. close — |
|---|---|---|
| £ spot | 1.5380 | 1.5440 |
| 1 mth | 1.5375 | 1.5434 |
| 3 mth | 1.5370 | 1.5428 |
| 1 yr | 1.5335 | 1.5388 |

Similarly, analysts said any monetary easing from the Bundesbank council, which meets on Thursday, would be tied to domestic factors.

Mr Peter Luxton, economist at Barclays in London, said if the FOMC authorised a rise in rates, it was possible that Mr Alan Greenspan, chairman of the Fed, would be given leeway to move only after he has seen Friday's payroll figures, and the preliminary 2nd quarter GDP figure later this month.

The Barclays economist said a "do nothing" policy might be the best option. He said an intervention strategy was very dangerous as it provided markets with a target to aim at.

But Mr Paul Chertkow, head of global currency research at UBS, said he did not believe finance ministers and their political leaders were ready to risk a "crisis of confidence" in international markets. He said recent dollar weakness had been a catalyst for financial market weakness, and predicts this causality will continue.

Mr Chertkow doubts whether G7 leaders will come up with a pre-emptive strategy to defend the dollar, and predicts more intervention as a response to further dollar weakness. He says this is likely next week when the market wakes up to discover that there is no strategy to defend the dollar.

Chase Manhattan, in its weekly foreign exchange analysis, notes that "although G7 intervention has seldom been effective at the first or second attempt, it generally has been effective eventually."

Chase makes two further points: there has so far been little intervention from the G7, with past episodes seeing 10 or more episodes of intervention before markets turned.

Second, there has been more limited G7 success with intervention on $/Y than on $/DM.

■ In Europe attention focused again on the Lira and the Krona. The Lira closed in London at L990.6 from L994.7 against the D-Mark, while the krona finished at SKr4.890 from SKr4.906.

The recovery in the krona was tied up with the Swedish bond auction which went off more successfully than expected. Analysts said there was evidence that the weakness of the krona had enticed foreign investors to participate in the bond auction.

Mr Chertkow said the recovery in the lira was perhaps linked to market rumours that the government planned, later this week, to announce significant cuts in public expenditure. This would help address market concerns about the size of Italy's budget deficit.

■ The general torpor infecting markets spread to interest rate futures, where volumes were at a very low ebb. But the firmer tone in the bond markets helped prices, with the December eurosterling contract closing at 93.73, from 93.71. Only 2,782 lots were traded.

The December euromark contract traded 5,042 lots to finish at 94.97 from 94.94.

In the money markets, German call money rates eased to 5.05/5.15 per cent. In the UK, the Bank of England provided £915m liquidity to the market after forecasting a £900m shortage. Overnight money traded between 3½ and 5 per cent.

■ **OTHER CURRENCIES**

| Jul 4 | £ | $ |
|---|---|---|
| Hungary | 157.522 - 157.748 | 102.420 - 102.520 |
| Iran | 2690.00 - 2683.00 | 1748.00 - 1750.00 |
| Kuwait | 0.4545 - 0.4559 | 0.2955 - 0.2963 |
| Poland | 34581.9 - 34828.4 | 22485.0 - 22505.0 |
| Russia | 3056.01 - 3063.70 | 1987.00 - 1992.00 |
| U.A.E. | 5.6425 - 5.6548 | 3.6715 - 3.6735 |

## POUND SPOT FORWARD AGAINST THE POUND

| Jul 4 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.2688 | -0.0161 | 610 - 765 | 17.3050 | 17.2504 | 17.265 | 0.3 | 17.2594 | 0.2 | - | - | 114.6 |
| Belgium | (BFr) | 50.6117 | +0.0884 | 694 - 540 | 50.7070 | 50.5040 | 50.6017 | 0.2 | 50.6487 | -0.3 | 50.6667 | -0.1 | 115.9 |
| Denmark | (DKr) | 9.6340 | +0.0027 | 279 - 400 | 9.6560 | 9.6275 | 9.641 | -0.9 | 9.6577 | -1.0 | 9.6871 | -0.6 | 116.4 |
| Finland | (FM) | 8.1024 | -0.0825 | 928 - 119 | 8.2200 | 8.0900 | - | - | - | - | - | - | 82.0 |
| France | (FFr) | 8.4159 | +0.0118 | 116 - 201 | 8.4258 | 8.3995 | 8.42 | -0.6 | 8.4271 | -0.5 | 8.4069 | 0.1 | 109.0 |
| Germany | (DM) | 2.4560 | +0.0036 | 546 - 573 | 2.4607 | 2.4519 | 2.4559 | 0.0 | 2.4551 | 0.1 | 2.4338 | 0.9 | 124.9 |
| Greece | (Dr) | 369.973 | -1.147 | 735 - 211 | 370.971 | 369.711 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0155 | +0.0041 | 188 - 122 | 1.0139 | 1.0106 | 1.0159 | -0.5 | 1.0166 | -0.6 | 1.0182 | -0.3 | 105.0 |
| Italy | (L) | 2432.67 | -5.91 | 096 - 438 | 2440.69 | 2430.43 | 2440.27 | -3.7 | 2453.52 | -3.4 | 2503.87 | -2.9 | 78.4 |
| Luxembourg | (LFr) | 50.6117 | +0.0884 | 694 - 540 | 50.7070 | 50.5040 | 50.6017 | 0.2 | 50.6487 | -0.3 | 50.6667 | -0.1 | 115.9 |
| Netherlands | (Fl) | 2.7532 | +0.0028 | 518 - 546 | 2.7592 | 2.7493 | 2.7532 | 0.0 | 2.7526 | 0.1 | 2.7302 | 0.8 | 120.0 |
| Norway | (NKr) | 10.7216 | +0.0051 | 176 - 255 | 10.7421 | 10.7143 | 10.7159 | 0.6 | 10.7285 | -0.3 | 10.7196 | 0.0 | 85.9 |
| Portugal | (Es) | 252.828 | +0.196 | 693 - 962 | 253.381 | 252.343 | 253.803 | -4.6 | 255.748 | -4.6 | - | - | - |
| Spain | (Pta) | 202.455 | +0.131 | 370 - 539 | 203.119 | 202.072 | 202.925 | -2.8 | 203.8 | -2.7 | 206.63 | -2.1 | 85.7 |
| Sweden | (SKr) | 12.0054 | -0.0277 | 969 - 139 | 12.1325 | 11.9903 | 12.0284 | -2.3 | 12.0634 | -1.9 | 12.1614 | -1.3 | 73.9 |
| Switzerland | (SFr) | 2.0612 | +0.0041 | 602 - 622 | 2.0637 | 2.0578 | 2.06 | 0.7 | 2.0571 | 0.8 | 2.0327 | 1.4 | 120.5 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 79.6 |
| Ecu | - | 1.2825 | -0.0001 | 817 - 833 | 1.2857 | 1.2817 | 1.2834 | -0.9 | 1.2798 | 0.9 | 1.2856 | -0.2 | - |
| SDR† | - | 0.942258 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5362 | +0.0008 | 348 - 356 | 1.5393 | 1.5298 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 1.4422 | - | 380 - 464 | 1.4638 | 1.4353 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1326 | +0.0076 | 317 - 334 | 2.1387 | 2.1154 | 2.1344 | -1.0 | 2.1395 | -1.3 | 2.1699 | -1.7 | 85.8 |
| Mexico | (New Peso) | 5.2250 | +0.0073 | 200 - 300 | 5.2322 | 5.2088 | - | - | - | - | - | - | - |
| USA | ($) | 1.5384 | +0.0004 | 380 - 387 | 1.5426 | 1.5329 | 1.5379 | 0.4 | 1.5375 | 0.2 | 1.5339 | 0.3 | 63.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.1086 | -0.0022 | 074 - 098 | 2.1153 | 2.0920 | 2.1079 | 0.4 | 2.1063 | 0.4 | 2.1054 | 0.2 | - |
| Hong Kong | (HK$) | 11.8892 | +0.0017 | 857 - 926 | 11.9200 | 11.8473 | 11.8811 | 0.8 | 11.8772 | 0.4 | 11.9042 | -0.1 | - |
| India | (Rs) | 48.2542 | +0.009 | 355 - 729 | 48.3770 | 48.0910 | - | - | - | - | - | - | - |
| Japan | (Y) | 152.143 | +0.335 | 031 - 254 | 152.890 | 151.010 | 151.753 | 3.1 | 150.948 | 3.1 | 146.663 | 3.6 | 192.2 |
| Malaysia | (M$) | 4.0083 | +0.0024 | 066 - 100 | 4.0182 | 3.9938 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.5762 | +0.0027 | 745 - 778 | 2.5820 | 2.5677 | 2.5755 | 0.3 | 2.5791 | -0.4 | 2.5856 | -0.4 | - |
| Philippines | (Peso) | 41.5356 | +0.0094 | 184 - 526 | 42.2967 | 41.2077 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.7697 | +0.0006 | 680 - 714 | 5.7848 | 5.7496 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3416 | -0.0016 | 407 - 425 | 2.3474 | 2.3364 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.8239 | +0.0087 | 214 - 263 | 5.8394 | 5.6016 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 7.2687 | -0.0445 | 517 - 857 | 7.2893 | 7.2150 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1240.60 | +2.43 | 024 - 096 | 1243.87 | 1236.23 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 40.9928 | -0.2548 | 754 - 102 | 41.0953 | 40.8545 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.4896 | -0.0066 | 654 - 137 | 38.7150 | 38.3680 | - | - | - | - | - | - | - |

†SDR rate for Jul 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jul 4 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.2265 | -0.013 | 230 - 280 | 11.2755 | 11.2150 | 11.23 | -0.5 | 11.238 | -0.4 | 11.1756 | 0.4 | 103.9 |
| Belgium | (BFr) | 32.9000 | +0.05 | 800 - 200 | 33.0100 | 32.8570 | 32.918 | -0.7 | 32.9525 | -0.6 | 32.96 | -0.2 | 105.3 |
| Denmark | (DKr) | 6.2625 | +0.0003 | 600 - 650 | 6.2934 | 6.2565 | 6.2695 | -1.3 | 6.283 | -1.3 | 6.3175 | -0.9 | 104.9 |
| Finland | (FM) | 5.2669 | -0.0548 | 619 - 719 | 5.3570 | 5.2660 | 5.2694 | -0.6 | 5.2739 | -0.5 | 5.3194 | -1.0 | 76.1 |
| France | (FFr) | 5.4707 | +0.0062 | 692 - 722 | 5.4847 | 5.4622 | 5.4752 | -1.0 | 5.4806 | -0.7 | 5.462 | 0.2 | 105.4 |
| Germany | (D) | 1.5965 | +0.0019 | 960 - 970 | 1.6028 | 1.5941 | 1.597 | -0.4 | 1.5968 | -0.1 | 1.5868 | 0.6 | 106.1 |
| Greece | (Dr) | 240.500 | -0.8 | 400 - 600 | 241.500 | 240.400 | 241.85 | -6.7 | 242.7 | -3.7 | 245 | -1.9 | 69.2 |
| Ireland | (I£) | 1.5209 | +0.0002 | 201 - 216 | 1.5238 | 1.5131 | 1.5197 | 0.9 | 1.5179 | 0.8 | 1.5121 | 0.6 | - |
| Italy | (L) | 1581.35 | -4.2 | 060 - 210 | 1590.00 | 1580.60 | 1586.8 | -4.1 | 1595.9 | -3.7 | 1586.45 | -0.3 | 76.6 |
| Luxembourg | (LFr) | 32.9000 | +0.05 | 800 - 200 | 33.0100 | 32.8570 | 32.918 | -0.7 | 32.9525 | -0.6 | 32.96 | -0.2 | 105.3 |
| Netherlands | (Fl) | 1.7897 | +0.0014 | 892 - 902 | 1.7979 | 1.7877 | 1.7903 | -0.4 | 1.7906 | -0.2 | 1.7813 | 0.5 | 105.1 |
| Norway | (NKr) | 6.9695 | +0.0017 | 685 - 705 | 7.0004 | 6.9639 | 6.973 | -0.6 | 6.981 | -0.7 | 6.928 | 0.6 | 96.2 |
| Portugal | (Es) | 164.350 | +0.09 | 300 - 400 | 164.900 | 164.170 | 165.65 | -9.5 | 167.85 | -8.5 | 174.1 | -5.9 | 93.9 |
| Spain | (Pta) | 131.605 | +0.055 | 580 - 630 | 132.050 | 131.430 | 131.99 | -3.5 | 132.605 | -3.0 | 134.935 | -2.5 | 80.9 |
| Sweden | (SKr) | 7.8041 | -0.0188 | 003 - 078 | 7.8932 | 7.7925 | 7.8226 | -2.8 | 7.8551 | -2.6 | 7.9971 | -2.5 | 79.0 |
| Switzerland | (SFr) | 1.3398 | +0.0024 | 395 - 402 | 1.3445 | 1.3382 | 1.3395 | 0.3 | 1.338 | 0.6 | 1.3245 | 1.1 | 106.5 |
| UK | (£) | 1.5384 | +0.0004 | 380 - 387 | 1.5425 | 1.5329 | 1.5379 | 0.4 | 1.5375 | 0.2 | 1.5339 | 0.3 | 88.0 |
| Ecu | - | 1.1995 | +0.0003 | 990 - 000 | 1.2000 | 1.1938 | 1.1992 | 1.4 | 1.1982 | 1.1 | 1.2058 | -0.5 | - |
| SDR† | - | 1.44467 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9980 | +0.0003 | 979 - 980 | 0.9979 | 0.9980 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 0.9375 | - | 350 - 400 | 0.9450 | 0.9330 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3863 | +0.0046 | 860 - 865 | 1.3875 | 1.3799 | 1.3881 | -1.6 | 1.3919 | -1.6 | 1.4149 | -2.1 | 82.6 |
| Mexico | (New Peso) | 3.3965 | +0.004 | 940 - 990 | 3.3990 | 3.3940 | 3.3975 | -0.4 | 3.3993 | -0.3 | 3.4087 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 97.3 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3707 | -0.0017 | 702 - 712 | 1.3714 | 1.3637 | 1.371 | -0.3 | 1.3711 | -0.1 | 1.3748 | -0.3 | 86.3 |
| Hong Kong | (HK$) | 7.7285 | -0.0007 | 280 - 290 | 7.7290 | 7.7280 | 7.728 | 0.1 | 7.7305 | -0.1 | 7.7447 | -0.2 | - |
| India | (Rs) | 31.3675 | -0.0013 | 625 - 725 | 31.3725 | 31.3625 | 31.4475 | -3.1 | 31.5925 | -2.9 | - | - | - |
| Japan | (Y) | 98.9000 | +0.195 | 500 - 500 | 99.1500 | 98.3600 | 98.665 | 2.9 | 98.195 | 2.9 | 95.56 | 3.4 | 152.3 |
| Malaysia | (M$) | 2.6056 | +0.001 | 051 - 061 | 2.6063 | 2.6042 | 2.5981 | 3.5 | 2.5946 | 1.7 | 2.6256 | -0.8 | - |
| New Zealand | (NZ$) | 1.6746 | +0.0014 | 739 - 753 | 1.6756 | 1.6731 | 1.6764 | -1.3 | 1.681 | -1.5 | 1.7027 | -1.7 | - |
| Philippines | (Peso) | 27.0000 | - | 000 - 000 | 27.2000 | 26.8000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | -0.0004 | 503 - 508 | 3.7508 | 3.7503 | 3.7512 | -0.2 | 3.7532 | -0.3 | 3.7659 | -0.4 | - |
| Singapore | (S$) | 1.5222 | -0.0014 | 219 - 224 | 1.5243 | 1.5219 | 1.5214 | 0.6 | 1.5211 | 0.3 | 1.5232 | -0.1 | - |
| S Africa (Com.) | (R) | 3.6558 | +0.0048 | 550 - 565 | 3.6610 | 3.6515 | 3.6713 | -5.1 | 3.6996 | -4.8 | 3.7763 | -3.3 | - |
| S Africa (Fin.) | (R) | 4.7250 | -0.03 | 150 - 350 | 4.7450 | 4.7000 | 4.7587 | -8.6 | 4.8175 | -7.8 | - | - | - |
| South Korea | (Won) | 806.450 | +1.4 | 400 - 500 | 806.700 | 806.100 | 809.45 | -4.5 | 812.95 | -3.2 | 831.45 | -3.1 | - |
| Taiwan | (T$) | 26.6473 | -0.1717 | 420 - 525 | 26.7000 | 26.6420 | 26.6673 | -0.9 | 26.7073 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.0200 | -0.01 | 100 - 300 | 25.2100 | 25.0200 | 25.0925 | -3.5 | 25.22 | -3.2 | 25.7 | -2.7 | - |

†SDR rate for Jul 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 1. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Jul 4 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.04 | 16.63 | 4.853 | 2.000 | 4807 | 5.440 | 21.18 | 499.5 | 400.1 | 23.73 | 4.072 | 1.976 | 4.215 | 3.039 | 300.5 | 2.585 |
| Denmark | (DKr) | 52.53 | 10 | 8.736 | 2.549 | 1.050 | 2525 | 2.858 | 11.13 | 262.4 | 210.2 | 12.47 | 2.139 | 1.038 | 2.214 | 1.596 | 157.9 | 1.332 |
| France | (FFr) | 60.14 | 11.45 | 10 | 2.918 | 1.202 | 2891 | 3.271 | 12.74 | 300.4 | 240.6 | 14.27 | 2.449 | 1.188 | 2.534 | 1.827 | 180.7 | 1.524 |
| Germany | (DM) | 20.61 | 3.923 | 3.427 | 1 | 0.412 | 990.6 | 1.121 | 4.365 | 102.9 | 82.45 | 4.890 | 0.839 | 0.407 | 0.868 | 0.626 | 61.93 | 0.522 |
| Ireland | (I£) | 50.01 | 9.520 | 8.316 | 2.427 | 1 | 2404 | 2.720 | 10.59 | 249.8 | 200.1 | 11.87 | 2.037 | 0.988 | 2.108 | 1.520 | 150.3 | 1.268 |
| Italy | (L) | 2.080 | 0.396 | 0.346 | 0.101 | 0.042 | 100. | 0.113 | 0.441 | 10.39 | 8.323 | 0.494 | 0.085 | 0.041 | 0.088 | 0.063 | 6.252 | 0.053 |
| Netherlands | (Fl) | 18.38 | 3.499 | 3.057 | 0.892 | 0.368 | 883.8 | 1 | 3.894 | 91.83 | 73.56 | 4.363 | 0.749 | 0.363 | 0.775 | 0.559 | 55.25 | 0.466 |
| Norway | (NKr) | 47.21 | 8.987 | 7.851 | 2.291 | 0.944 | 2270 | 2.568 | 10 | 235.8 | 188.9 | 11.20 | 1.923 | 0.933 | 1.990 | 1.435 | 141.9 | 1.197 |
| Portugal | (Es) | 20.02 | 3.811 | 3.329 | 0.972 | 0.400 | 962.4 | 1.089 | 4.241 | 100. | 80.10 | 4.751 | 0.815 | 0.396 | 0.844 | 0.608 | 60.17 | 0.508 |
| Spain | (Pta) | 24.99 | 4.758 | 4.156 | 1.213 | 0.500 | 1201 | 1.360 | 5.294 | 124.8 | 100. | 5.931 | 1.018 | 0.494 | 1.053 | 0.760 | 75.11 | 0.634 |
| Sweden | (SKr) | 42.14 | 8.022 | 7.007 | 2.045 | 0.843 | 2026 | 2.292 | 8.926 | 210.5 | 168.6 | 10 | 1.716 | 0.833 | 1.776 | 1.281 | 126.6 | 1.068 |
| Switzerland | (SFr) | 24.56 | 4.674 | 4.083 | 1.192 | 0.491 | 1180 | 1.336 | 5.201 | 122.7 | 98.25 | 5.827 | 1 | 0.485 | 1.035 | 0.746 | 73.80 | 0.623 |
| UK | (£) | 50.61 | 9.634 | 8.416 | 2.456 | 1.012 | 2433 | 2.753 | 10.72 | 252.8 | 202.5 | 12.01 | 2.061 | 1 | 2.133 | 1.538 | 152.1 | 1.283 |
| Canada | (C$) | 23.73 | 4.517 | 3.946 | 1.151 | 0.474 | 1141 | 1.291 | 5.026 | 118.5 | 94.94 | 5.631 | 0.966 | 0.469 | 1 | 0.721 | 71.31 | 0.602 |
| US | ($) | 32.91 | 6.264 | 5.472 | 1.597 | 0.658 | 1582 | 1.790 | 6.970 | 164.4 | 131.7 | 7.809 | 1.340 | 0.650 | 1.387 | 1 | 98.89 | 0.834 |
| Japan | (Y) | 332.7 | 63.34 | 55.33 | 16.15 | 6.654 | 15996 | 18.10 | 70.48 | 1662 | 1331 | 78.96 | 13.55 | 6.575 | 14.02 | 10.11 | 1000. | 8.435 |
| Ecu | | 39.45 | 7.509 | 6.560 | 1.914 | 0.789 | 1896 | 2.146 | 8.355 | 197.0 | 157.8 | 9.361 | 1.606 | 0.779 | 1.663 | 1.199 | 118.6 | 1 |

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM (Jul 1)

| | Open | Sett price | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6300 | 0.6271 | -0.0028 | 0.6306 | 0.6227 | 40,785 | 85,130 |
| Dec | - | 0.6279 | -0.0027 | 0.6301 | 0.6253 | 389 | 2,851 |
| Mar | - | 0.6294 | -0.0026 | 0.6300 | 0.6275 | 1 | 709 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100 (Jul 1)

| | Open | Sett price | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.0213 | 1.0204 | -0.0007 | 1.0291 | 1.0098 | 28,707 | 64,035 |
| Dec | 1.0340 | 1.0286 | -0.0004 | 1.0360 | 1.0182 | 973 | 3,283 |
| Mar | - | 1.0375 | -0.0001 | 1.0370 | 1.0290 | 6 | 684 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr (Jul 1)

| | Open | Sett price | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.7509 | 0.7485 | -0.0021 | 0.7520 | 0.7440 | 17,663 | 48,933 |
| Dec | 0.7483 | 0.7504 | -0.0021 | 0.7515 | 0.7479 | 127 | 935 |
| Mar | - | 0.7531 | -0.0021 | - | - | 2 | 10 |

■ **STERLING FUTURES** (IMM) £62,500 per £ (Jul 1)

| | Open | Sett price | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.5434 | 1.5398 | -0.0038 | 1.5434 | 1.5302 | 11,896 | 37,733 |
| Dec | 1.5338 | 1.5380 | -0.0038 | 1.5390 | 1.5332 | 41 | 420 |
| Mar | - | 1.5376 | -0.0038 | - | 1.5350 | 17 | 148 |

### EMS EUROPEAN CURRENCY UNIT RATES

| Jul 4 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.808628 | 0.792178 | +0.00029 | -2.07 | 4.84 | 14 |
| Netherlands | 2.19672 | 2.15599 | +0.001 | -1.90 | 4.64 | - |
| Belgium | 40.2123 | 39.6138 | +0.0228 | -1.49 | 4.25 | 11 |
| Germany | 1.94964 | 1.92246 | +0.00115 | -1.45 | 4.15 | - |
| France | 6.53883 | 6.58294 | -0.00295 | 0.72 | 2.01 | -6 |
| Denmark | 7.43679 | 7.54357 | +0.00063 | 1.43 | 1.25 | -10 |
| Portugal | 192.854 | 197.916 | +0.045 | 2.60 | 0.08 | -18 |
| Spain | 154.250 | 158.419 | -0.173 | 2.81 | 0.00 | -19 |
| NON ERM MEMBERS | | | | | | |
| Greece | 264.513 | 289.613 | +0.151 | 9.51 | -6.26 | - |
| Italy | 1793.19 | 1904.53 | -5.88 | 6.53 | -3.30 | - |
| UK | 0.786749 | 0.782548 | +0.00051 | -0.60 | 3.25 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound) (Jul 1)

| Strike Price | CALLS Jul | Aug | Sep | PUTS Jul | Aug | Sep |
|---|---|---|---|---|---|---|
| 1.450 | 8.75 | 8.78 | 8.90 | - | 0.04 | 0.26 |
| 1.475 | 6.33 | 6.51 | 6.81 | - | 0.22 | 0.59 |
| 1.500 | 3.97 | 4.42 | 4.93 | 0.11 | 0.61 | 1.12 |
| 1.525 | 2.00 | 2.68 | 3.32 | 0.59 | 1.35 | 1.99 |
| 1.550 | 0.70 | 1.48 | 2.11 | 1.79 | 2.53 | 3.21 |
| 1.575 | 0.16 | 0.71 | 1.25 | 3.69 | 4.25 | 4.82 |

Previous day's vol., Calls 131,771 Puts 138,370. Prev. day's open int., Calls 576,748 Puts 496,435

## WORLD INTEREST RATES

### MONEY RATES

| July 4 | Over night | One month | Three mths | Six mths | One year | Lomb. Inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 5 | 5¼ | 5⅜ | 5 9/16 | 6⅛ | 7.40 | 4.50 | - |
| week ago | 5⅛ | 5¼ | 5⅜ | 5 9/16 | 6⅛ | 7.40 | 4.50 | - |
| France | 5⅜ | 5½ | 5⅝ | 5¾ | 6⅛ | 5.10 | - | 6.75 |
| week ago | 6⅝ | 5½ | 5⅝ | 5¾ | 6⅛ | 5.20 | - | 6.75 |
| Germany | 5.10 | 4.95 | 4.95 | 4.95 | 5.12 | 6.00 | 4.50 | 5.05 |
| week ago | 4.95 | 4.95 | 4.95 | 4.95 | 5.13 | 6.00 | 4.50 | 5.05 |
| Ireland | 5⅜ | 5⅞ | 5 15/16 | 6⅜ | 6⅞ | - | - | 6.25 |
| week ago | 5⅜ | 5⅞ | 6⅛ | 5⅞ | 6⅛ | - | - | 6.25 |
| Italy | 8 | 8⅜ | 8½ | 8¾ | 9⅛ | - | 7.00 | 8.00 |
| week ago | 8 | 8⅜ | 8⅝ | 8⅝ | 9⅛ | - | 7.00 | 7.95 |
| Netherlands | 4.97 | 4.98 | 4.99 | 5.06 | 5.24 | - | 5.25 | - |
| week ago | 4.94 | 4.96 | 4.99 | 5.06 | 5.25 | - | 5.25 | - |
| Switzerland | 4⅛ | 4⅜ | 4⅜ | 4½ | 4 11/16 | 6.625 | 3.50 | - |
| week ago | 3⅞ | 4⅜ | 4⅜ | 4⅝ | 4⅝ | 6.625 | 3.50 | - |
| US | 4⅜ | 4⅜ | 4⅞ | 5⅛ | 5 9/16 | - | 3.50 | - |
| week ago | 4¼ | 4⅜ | 4 11/16 | 5 | 5⅜ | - | 3.50 | - |
| Japan | 2 | 2⅛ | 2⅛ | 2⅛ | 2⅛ | - | 1.75 | - |
| week ago | 2⅛ | 2⅛ | 2⅛ | 2⅛ | 2⅛ | - | 1.75 | - |
| ■ **$ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 4⅜ | 4 13/16 | 5⅜ | 5 13/16 | - | - | - |
| week ago | - | 4⅜ | 4¾ | 5¼ | 5¾ | - | - | - |
| US Dollar CDs | - | 4.45 | 4.74 | 5.04 | 5.61 | - | - | - |
| week ago | - | 4.45 | 4.54 | 4.89 | 5.51 | - | - | - |
| SDR Linked Ds | - | 3½ | 3⅝ | 3¾ | 4 | - | - | - |
| week ago | - | 3½ | 3⅝ | 3¾ | 4 | - | - | - |

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6 ; 1 year: 6¼. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Jul 4 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 5 1/16 - 4 15/16 | 5 1/16 - 4 15/16 | 5¼ - 5⅛ | 5 7/16 - 5 5/16 | 5 13/16 - 5 11/16 | 6 5/16 - 6 3/16 |
| Danish Krone | 5¼ - 5 | 5¼ - 5⅛ | 6 - 5¾ | 6⅛ - 5⅞ | 6¼ - 6 | 6¾ - 6 |
| D-Mark | 5¼ - 5⅛ | 5⅛ - 5 | 5 1/16 - 4 15/16 | 5 1/16 - 4 15/16 | 5 1/16 - 4 15/16 | 5¼ - 5⅛ |
| Dutch Guilder | 5 - 4 13/16 | 5 - 4 13/16 | 4 31/32 - 4 29/32 | 5 - 4⅞ | 5⅛ - 5 | 5¼ - 5⅛ |
| French Franc | 5½ - 5⅜ | 5½ - 5⅜ | 5½ - 5⅜ | 5⅝ - 5½ | 5 13/16 - 5 11/16 | 6 1/16 - 5 15/16 |
| Portuguese Esc. | 13½ - 13 | 14 - 13½ | 14½ - 13 | 13¾ - 13¼ | 12⅞ - 12⅜ | 12½ - 11¾ |
| Spanish Peseta | 7½ - 7⅜ | 7 9/16 - 7⅜ | 7¾ - 7½ | 7⅞ - 7 11/16 | 8⅛ - 7⅞ | 8 9/16 - 8 5/16 |
| Sterling | 4 13/16 - 4 11/16 | 4⅞ - 4¾ | 5 - 4 13/16 | 5 5/16 - 5⅛ | 5½ - 5⅜ | 6¼ - 6⅛ |
| Swiss Franc | 4⅛ - 4 | 4⅛ - 4 | 4 5/16 - 4 3/16 | 4⅜ - 4¼ | 4 7/16 - 4 5/16 | 4⅝ - 4½ |
| Can. Dollar | 5 13/16 - 5 9/16 | 5⅞ - 5⅝ | 6 - 5¾ | 6 7/16 - 6 3/16 | 7¼ - 7⅛ | 7 15/16 - 7 11/16 |
| US Dollar | 4 7/16 - 4 5/16 | 4 7/16 - 4 5/16 | 4⅝ - 4½ | 4 13/16 - 4 11/16 | 5⅜ - 5¼ | 5⅞ - 5¾ |
| Italian Lira | 9 - 7½ | 8¼ - 7⅞ | 8¼ - 7⅞ | 8½ - 8⅜ | 8¾ - 8⅝ | 9¼ - 9 |
| Yen | 2 1/16 - 2 | 2 1/16 - 2 | 2 1/16 - 2 | 2⅛ - 2 1/16 | 2 3/16 - 2⅛ | 2 5/16 - 2¼ |
| Asian $Sing | 3⅞ - 3¾ | 3⅞ - 3¾ | 4 7/16 - 4 5/16 | 4¾ - 4⅝ | 5 3/16 - 5 1/16 | 5 13/16 - 5 11/16 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.34 | 94.38 | +0.04 | 94.39 | 94.34 | 4,724 | 57,186 |
| Dec | 94.14 | 94.16 | +0.04 | 94.17 | 94.13 | 2,836 | 39,709 |
| Mar | 93.85 | 93.89 | +0.04 | 93.89 | 93.85 | 1,172 | 32,778 |
| Jun | 93.60 | 93.64 | +0.07 | 93.65 | 93.59 | 939 | 24,174 |

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.66 | 94.65 | - | 94.66 | 94.64 | 489 | 2277 |
| Dec | 93.96 | 93.96 | +0.01 | 93.96 | 93.94 | 231 | 1932 |
| Mar | 93.67 | 93.67 | - | 93.67 | 93.64 | 235 | 1205 |
| Jun | - | 93.37 | - | - | - | 0 | 380 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.14 | 95.14 | +0.01 | 95.14 | 95.13 | 4587 | 191094 |
| Dec | 94.95 | 94.97 | +0.03 | 94.97 | 94.95 | 5042 | 194138 |
| Mar | 94.65 | 94.69 | +0.03 | 94.69 | 94.65 | 4704 | 179132 |
| Jun | 94.34 | 94.38 | +0.05 | 94.38 | 94.33 | 3368 | 98355 |

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 91.27 | 91.35 | +0.11 | 91.38 | 91.27 | 2186 | 37326 |
| Dec | 90.98 | 91.05 | +0.11 | 91.06 | 90.98 | 1694 | 46055 |
| Mar | 90.61 | 90.72 | +0.11 | 90.75 | 90.61 | 310 | 12685 |
| Jun | 90.17 | 90.20 | +0.08 | 90.21 | 90.17 | 163 | 9525 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.68 | 95.67 | -0.01 | 95.69 | 95.63 | 247 | 27166 |
| Dec | 95.44 | 95.44 | +0.01 | 95.45 | 95.43 | 112 | 9787 |
| Mar | 95.13 | 95.11 | - | 95.13 | 95.11 | 22 | 9658 |
| Jun | - | 94.76 | +0.02 | - | - | 0 | 1344 |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.03 | 94.04 | +0.01 | 94.04 | 94.03 | 94 | 11311 |
| Dec | 93.77 | 93.81 | +0.04 | 93.81 | 93.77 | 110 | 8192 |
| Mar | - | 93.49 | +0.03 | - | - | 0 | 3757 |
| Jun | - | 93.12 | +0.03 | - | - | 0 | 627 |

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% (Jul 1)

| | Open | Sett price | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.64 | 94.64 | - | 94.68 | 94.63 | 98,674 | 447,851 |
| Dec | 93.94 | 93.95 | - | 93.99 | 93.93 | 136,042 | 413,444 |
| Mar | 93.67 | 93.68 | - | 93.71 | 93.65 | 84,679 | 308,324 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% (Jul 1)

| | Open | Sett price | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.13 | 95.12 | +0.01 | 95.13 | 95.10 | 2,179 | 21,697 |
| Dec | 94.58 | 94.53 | -0.01 | 94.58 | 94.53 | 546 | 8,849 |
| Mar | - | 94.24 | -0.01 | 94.27 | 94.23 | 454 | 1,298 |

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Jul | Aug | Sep | Dec | PUTS Jul | Aug | Sep | Dec |
|---|---|---|---|---|---|---|---|---|
| 9500 | 0.15 | 0.17 | 0.21 | 0.22 | 0.01 | 0.03 | 0.07 | 0.25 |
| 9525 | 0.02 | 0.05 | 0.07 | 0.12 | 0.13 | 0.16 | 0.18 | 0.40 |
| 9550 | 0 | 0.01 | 0.02 | 0.06 | 0.36 | 0.37 | 0.38 | 0.59 |

Est. vol. total, Calls 1308 Puts 1667. Previous day's open int., Calls 219460 Puts 148370

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9550 | 0.25 | 0.21 | 0.22 | 0.06 | 0.27 | 0.61 |
| 9575 | 0.11 | 0.11 | 0.14 | 0.19 | 0.42 | 0.78 |
| 9600 | 0.04 | 0.06 | 0.09 | 0.37 | 0.61 | 0.97 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 305 Puts 1025

## UK INTEREST RATES

### LONDON MONEY RATES

| Jul 4 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 5 - 3½ | 4 13/16 - 4¾ | 5 1/16 - 4 15/16 | 5 3/16 - 5 1/16 | 5½ - 5⅜ | 6¼ - 6 |
| Sterling CDs | - | - | 4 31/32 - 4 29/32 | 5⅛ - 5 1/16 | 5⅜ - 5¼ | 6 1/16 - 6 |
| Treasury Bills | - | - | 4 29/32 - 4 27/32 | 4 15/16 - 4 29/32 | - | - |
| Bank Bills | - | - | 4 15/16 - 4⅞ | 5 - 4 15/16 | 5 13/32 - 5 5/16 | - |
| Local authority deps. | 4 13/16 - 4 11/16 | 4 13/16 - 4 11/16 | 5⅛ - 5 | 5 3/16 - 5 1/16 | 5⅜ - 5¼ | 5⅛ - 5 |
| Discount Market deps | 5 - 4 | 4 13/16 - 4 13/16 | - | - | - | - |

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 1½ | 4 | 3¾ | 3¾ | 3½ |

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8926pc. ECGD fixed rate Stlg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 25, 1994, Schemes II & III 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Schemes IV & V 5.1870pc. Finance House Base Rate 5½pc from July 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.39 | 94.41 | +0.02 | 94.42 | 94.39 | 5179 | 105073 |
| Dec | 93.72 | 93.73 | +0.02 | 93.73 | 93.71 | 2782 | 142944 |
| Mar | 93.04 | 93.06 | +0.03 | 93.06 | 93.03 | 850 | 66570 |
| Jun | 92.44 | 92.48 | +0.05 | 92.48 | 92.44 | 288 | 52007 |

Traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9425 | 0.26 | 0.13 | 0.08 | 0.10 | 0.65 | 1.27 |
| 9450 | 0.10 | 0.07 | 0.05 | 0.19 | 0.84 | 1.49 |
| 9475 | 0.03 | 0.04 | 0.03 | 0.37 | 1.06 | 1.72 |

Est. vol. total, Calls 460 Puts 950. Previous day's open int., Calls 200094 Puts 186808

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 5.25 | Duncan Lawrie | 5.25 | *Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution. | 8 |
| Allied Trust Bank | 5.25 | Exeter Bank Limited | 6.25 | Royal Bk of Scotland | 5.25 |
| AIB Bank | 5.25 | Financial & Gen Bank | 6 | ●Smith & Williamson Secs. | 5.25 |
| ●Henry Ansbacher | 5.25 | ●Robert Fleming & Co | 5.25 | TSB | 5.25 |
| Bank of Baroda | 5.25 | Girobank | 5.25 | ●United Bk of Kuwait | 5.25 |
| Banco Bilbao Vizcaya | 5.25 | ●Guinness Mahon | 5.25 | Unity Trust Bank Plc | 5.25 |
| Bank of Cyprus | 5.25 | Habib Bank AG Zurich | 5.25 | Western Trust | 5.25 |
| Bank of Ireland | 5.25 | ●Hambros Bank | 5.25 | Whiteaway Laidlaw | 5.25 |
| Bank of India | 5.25 | Heritable & Gen Inv Bk | 5.25 | Yorkshire Bank | 5.25 |
| Bank of Scotland | 5.25 | ●Hill Samuel | 5.25 | | |
| Barclays Bank | 5.25 | C. Hoare & Co | 5.25 | ● Members of London Investment Banking Association | |
| Brit Bk of Mid East | 5.25 | Hongkong & Shanghai | 5.25 | * In administration | |
| ●Brown Shipley & Co Ltd | 5.25 | Julian Hodge Bank | 5.25 | | |
| CL Bank Nederland | 5.25 | ●Leopold Joseph & Sons | 5.25 | | |
| Citibank NA | 5.25 | Lloyds Bank | 5.25 | | |
| Clydesdale Bank | 5.25 | Meghraj Bank Ltd | 5.25 | | |
| The Co-operative Bank | 5.25 | Midland Bank | 5.25 | | |
| Coutts & Co | 5.25 | * Mount Banking | 8 | | |
| Credit Lyonnais | 5.25 | NatWestminster | 5.25 | | |
| Cyprus Popular Bank | 5.25 | ●Rea Brothers | 5.25 | | |



## MONEY MARKET FUNDS

# Money Market Trust Funds

| | Gross | Net | Gross CAR | Int Cr |
|---|---|---|---|---|
| **CAF Money Management Co Ltd** 48 Pembury Road, Tonbridge TN9 2JD 0732 770114 | | | | |
| Calcash Deposit Fund | 4.82 | - | 4.70 | 3-Mth |
| Deposits Over £1 million | 4.72 | - | 4.80 | 3-Mth |
| Deposits Over £2 million | 4.82 | - | 4.90 | 3-Mth |
| **The COIF Charities Deposit Account** 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Deposit | 4.75 | - | 4.84 | 3-Mth |
| **Cent. Bd. of Fin. of Church of England** 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Deposit | 4.90 | - | 4.99 | 3-Mth |

# Money Market Bank Accounts

| | Gross | Net | Gross CAR | Int Cr |
|---|---|---|---|---|
| **Aitken Hume Bank plc** 30 City Road, London EC1Y 2AY. 071-638 6070 | | | | |
| Treasury Account – for professional advisers | | | | |
| £25,000-£49,999 | 4.75 | 3.5625 | 4.85 | Mth |
| £50,000 or more | 5.00 | 3.75 | 5.12 | Mth |
| Monthly Inc Acc – for personal and business clients | | | | |
| Up to £9,999 | 3.25 | 2.4375 | 3.30 | Mth |
| £10,000 - £24,999 | 4.00 | 3.00 | 4.07 | Mth |
| £25,000 - £49,999 | 4.50 | 3.375 | 4.59 | Mth |
| £50,000 or more | 4.75 | 3.5625 | 4.85 | Mth |
| Money Market quotations – please telephone | | | | |
| **Allied Trust Bank Ltd** 25 Dowgate Hill, London, EC4R 2GT 071-626 0879 | | | | |
| FOMINA (£2,001+) | 6.64 | 4.98 | 6.54 | Yearly |
| TREMINA (£2,001+) | 5.85 | 4.39 | 5.85 | Yearly |
| TOMINA (£2,001+) | 5.64 | 4.23 | 5.64 | Yearly |
| OMINA (£2,001+) | 5.33 | 3.99 | 5.33 | Yearly |
| HICA (£2,001+) | 4.00 | 3.00 | 4.07 | Mth |
| HIBCA (£2001+) | 4.00 | 3.00 | 4.07 | Mth |
| Premier TESSA | 6.87 | 5.15 | 6.87 | Yearly |
| **American Express Bank Ltd** Sussex House, Burgess Hill RH15 9AQ 0444 232444 | | | | |
| High Performance Cheque Account | | | | |
| £500-£999.99 | 1.00 | 0.75 | 1.00 | Mth |
| £1,000-£4,999.99 | 3.50 | 2.63 | 3.56 | Mth |
| £5,000-£9,999.99 | 3.75 | 2.81 | 3.82 | Mth |
| £10,000-£24,999.99 | 4.00 | 3.00 | 4.07 | Mth |
| £25,000-£49,999.99 | 4.25 | 3.19 | 4.33 | Mth |
| £50,000+ | 4.75 | 3.56 | 4.85 | Mth |
| **Bank of Ireland High Interest Cheque Acc** 36-40 High St, Slough SL1 1EL 0753 516516 | | | | |
| £10,000 + | 3.500 | 2.625 | 3.546 | Qtr |
| £2,000-£9,999 | 2.50 | 1.875 | 2.524 | Qtr |
| **Bank of Scotland** 38 Threadneedle St, EC2P 2EH 071-601 6446 | | | | |
| Mt Ch Ac £2,500-£24,999 | 3.50 | 2.62 | 3.56 | Mth |
| £25,000-£249,999 | 3.75 | 2.81 | 3.82 | Mth |
| £250,000+ | 5.00 | 3.75 | 5.12 | Mth |
| **Barclays Select** PO Box 120, Westwood Bs Pk, Coventry 0800 400100 | | | | |
| £2,000-£9,999 | 4.00 | 3.00 | 4.00 | Yearly |
| £10,000-£24,999 | 4.75 | 3.56 | 4.75 | Yearly |
| £25,000-£49,999 | 5.00 | 3.75 | 5.00 | Yearly |
| £50,000-£99,999 | 5.25 | 3.94 | 5.25 | Yearly |
| £100,000+ | 5.50 | 4.13 | 5.50 | Yearly |
| **Barclays Prime Account H.I.C.A.** PO Box 125, Northampton 0604 252891 | | | | |
| £1,000-£2,499 | 2.00 | 1.50 | 2.02 | Qtr |
| £2,500-£9,999 | 2.25 | 1.69 | 2.27 | Qtr |
| £10,000-£24,999 | 2.75 | 2.06 | 2.78 | Qtr |
| **Dao Heng Bank (London) PLC Premier Acc** 10 Angel Court, London EC2R 7HP 071-600 [illegible] | | | | |
| £50,000+ | 5.00 | 3.75 | 5.09 | Qtr |
| £10,001-£50,000 | 4.25 | 3.19 | 4.32 | Qtr |
| £2,500-£10,000 | 3.75 | 2.81 | 3.80 | Qtr |
| Savings Account | 2.75 | 2.06 | 2.78 | Qtr |
| **Davenham Tst Plc-Davenham 500 Acc** 8 St John St, Manchester M3 4DU 061-832 [illegible] | | | | |
| £10,000+ 6Mths | 7.25 | 5.4375 | - | 6-Mth |
| £10,000+ 1 Year | 7.50 | 5.625 | 7.5 | Yearly |
| £5,000 - Fixed Rate for 2 Yrs | 8.00 | 6.00 | 7.7 | - |
| **Fidelity Money Market Account** Fidelity Brokerage Services Ltd, Kingswood Place, Tadworth Surrey, KT20 6RB | | | | |
| £1-£49,999 | 3.75 | 2.81 | 3.80 | Qtr |
| £50,000-£249,999 | 4.25 | 3.187 | 4.32 | Qtr |
| £250,000-£499,999 | 4.875 | 3.6562 | 4.96 | Qtr |
| £500,000+ Money Market Rates on request | | | | |
| **Halifax Bldg Soc Asset Reserve Cheque Acc** Trinity Road, Halifax HX1 2RG 0422 [illegible] | | | | |
| Rates for personal customers | | | | |
| £50,000 and above | 5.60 | 4.20 | 5.72 | Qtr |
| £25,000 to £49,999 | 5.25 | 3.94 | 5.35 | Qtr |
| £10,000 to £24,999 | 4.90 | 3.60 | 4.99 | Qtr |
| £5,000 to £9,999 | 4.25 | 3.19 | 4.32 | Qtr |
| Rates for non-personal customers | | | | |
| £50,000 and above | 5.25 | 3.94 | 5.35 | Qtr |
| £25,000 to £49,999 | 4.75 | 3.56 | 4.84 | Qtr |
| £10,000 to £24,999 | 4.50 | 3.38 | 4.58 | Qtr |
| £5,000 to £9,999 | 4.25 | 3.19 | 4.32 | Qtr |
| **Julian Hodge Bank Ltd** 10 Windsor Place Cardiff CF1 3BX 0222 220800 | | | | |
| 6 Mth Fixed Rate Deposit Acc | 6.00 | 4.50 | 6.09 | - |
| 3 Mth Fixed Rate Deposit Acc | 5.75 | 4.31 | 5.88 | - |
| 7 Mth Fixed Rate Deposit Acc | 5.75 | 4.31 | 5.87 | - |
| **Humberclyde Finance Group** 5 Bartley Way, Hook, Basingstoke 0256 760000 | | | | |
| £50,000+ | 5.25 | 3.94 | 5.35 | Qtr |
| **Leopold Joseph & Sons Limited** 29 Gresham Street, London EC2V 7EA 071-588 2323 | | | | |
| Treasury High Interest Cheque Account | | | | |
| £25,001-£100,000 | 4.50 | 3.375 | 4.60 | Qtr |
| £100,001 plus | 4.75 | 3.563 | 4.84 | Qtr |
| **Kleinwort Benson Ltd** 156 Kentish Town Rd, London NW5 2BT 071-267 1666 | | | | |
| H.I.C.A. (£2,500+) | 3.875 | 2.90625 | 3.9366 | Daily |
| **Kleinwort Benson Private Bank** (A division of Kleinwort Benson Investment Management Ltd) 156 Kentish Town Road, London NW5 2BT 071-267 1666 | | | | |
| H.I.C.A. (£2,500+) | 3.875 | 2.90625 | 3.9366 | Daily |
| **Lloyds Bank – Investment Account** 71 Lombard St, London EC3P 3BS 0272 433372 | | | | |
| £100,000 and above | 5.25 | 3.94 | 5.25 | Yearly |
| £50,000+ | 5.15 | 3.86 | 5.15 | Yearly |
| £25,000+ | 4.95 | 3.71 | 4.95 | Yearly |
| £10,000+ | 4.75 | 3.56 | 4.75 | Yearly |
| **Midland Bank plc** PO Box 2, Sheffield. 0742 [illegible] | | | | |
| Exchequer Acc £5000+ | 3.75 | 2.81 | 3.75 | Yearly |
| £10,000+ | 4.50 | 3.37 | 4.50 | Yearly |
| £25,000+ | 5.00 | 3.75 | 5.00 | Yearly |
| £50,000+ | 5.50 | 4.12 | 5.50 | Yearly |
| TESSA | 5.25 | - | 5.25 | Yearly |
| **Nationwide Bldg Soc – Businessinvestor** Business High Interest Cheque Account Pipers Way, Swindon [illegible] | | | | |
| £2,000-£4,999 | 3.30 | 2.48 | 3.34 | Qtr |
| £5,000-£9,999 | 3.80 | 2.85 | 3.85 | Qtr |
| £10,000-£24,999 | 4.30 | 3.23 | 4.37 | Qtr |
| £25,000-£49,999 | 4.80 | 3.60 | 4.89 | Qtr |
| £50,000+ | 5.30 | 3.98 | 5.41 | Qtr |
| **Portman Bldg Soc Prestige Cheque Account** Richmond Hill, Bournemouth, BH2 6EP 0800 [illegible] | | | | |
| £50,000+ | 5.50 | 4.13 | 5.50 | Yearly |
| £30,000-£49,999 | 5.00 | 3.75 | 5.00 | Yearly |
| £20,000-£29,999 | 4.50 | 3.38 | 4.50 | Yearly |
| £10,000-£19,999 | 3.50 | 2.63 | 3.50 | Yearly |
| £2,500-£9,999 | 2.50 | 1.88 | 2.50 | Yearly |

[illegible]

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Jul 4 / Sch)

BELGIUM/LUXEMBOURG (Jul 4 / Frs.)

DENMARK (Jul 4 / Kr)

FINLAND (Jul 4 / Mkk)

FRANCE (Jul 4 / Frs.)

GERMANY (Jul 4 / Dm.)

ITALY (Jul 4 / Lire)

NETHERLANDS (Jul 4 / Fls.)

NORWAY (Jul 4 / Kroner)

SPAIN (Jul 4 / Pts.)

SWEDEN (Jul 4 / Kronor)

SWITZERLAND (Jul 4 / Frs.)

## PACIFIC

JAPAN (Jul 4 / Yen)

AUSTRALIA (Jul 4 / Aust$)

HONG KONG (Jul 4 / H.K.$)

MALAYSIA (Jul 4 / MYR)

SINGAPORE (Jul 4 / S$)

## NORTH AMERICA

CANADA

TORONTO (Jul 4 / Can $)

4 pm close

MONTREAL (Jul 4 / Can $)

4 pm close

## AFRICA

SOUTH AFRICA (Jul 4 / Rand)

*Prices supplied by Telekurs*

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, July 4, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Mitsubishi Oil | 14.2m | 1,120 | +40 | Fujitsu | 3.3m | 1,130 | |
| Mitsubishi Hvy | 8.0m | 804 | +4 | Sharp | 3.2m | 1,860 | +50 |
| Hitachi | 7.4m | 1,080 | +40 | Sanyo Electric | 2.8m | 580 | +22 |
| Nitsuko | 4.3m | 1,590 | +20 | NEC | 2.7m | 1,250 | +10 |
| Mitsui Sugar | 3.6m | 527 | -18 | Nippon Steel | 2.5m | 346 | +2 |

## INDICES

## US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index (JUL 1)

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jul | 1882.0 | 1893.0 | +17.0 | 1911.0 | 1877.0 | 10,382 | 35,204 |
| Aug | 1889.0 | 1891.0 | +17.0 | 1889.0 | 1889.0 | - | 263 |
| Sep | 1897.0 | 1898.5 | +16.5 | 1915.5 | 1896.0 | - | 25,339 |

Open interest figures for previous day.

** Sat July 2 : Taiwan Weighted Price 6005.84; Korea Comp Ex 938.30. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEO Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ✦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 4 - 2087.70 +21.01

† Correction. ' Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

# S African shares post quarter's biggest rise

By Michael Morgan

The Federal Reserve's move towards tighter US monetary policy, begun in late February, provided the major theme for many equity markets during the second quarter of the year.

The FT-Actuaries World index, however, rose 2.9 per cent in dollar terms, with a stunning 10 per cent advance in the Pacific region as investors rediscovered Tokyo and Singapore, more than outpacing declines elsewhere.

South Africa provided the world's best performance in the three months to the end of June, as April's general election was successfully concluded and the violence which had marred outside perceptions of the country subsided.

The market strengthened 14.2 per cent, almost eradicating the losses seen in the previous 12 months.

European money which had begun flowing into the market after Mr Nelson Mandela was released from prison was augmented by American funds late last year as US city, county and state bans on pension fund investment in South Africa were lifted.

More important was the appearance of specialist funds for South African investment by several leading US money managers, including Morgan Stanley and Alliance Capital.

More recently, the IFC has said that it is to include South Africa in its global index of emerging markets within the next few months, with a weighting of 13 per cent. SG Warburg estimates suggest that this could imply inflows of between $6.5bn and $21bn into the market, compared with purchases totalling $650m last year.

The market is, however, markedly illiquid, with only about 13 per cent of listed stocks changing hands last year. But Mr Michael Coulson at Credit Lyonnais Laing believes that Mr Mandela might be in the mood to change that next year through a privatisation programme which could include the telephone sector, South African Airways and Escom, the electricity generating company.

"It would be a wonderful way of liberating assets, generating much needed cash and putting money back into the economy," he said.

## MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1994 | Start of 1994 | Start of 1994 |
| Austria | +2.34 | +5.32 | +18.83 | -7.44 | -3.40 | +0.42 |
| Belgium | -1.02 | -4.40 | +4.31 | -8.09 | -2.70 | +1.15 |
| Denmark | +0.81 | +0.66 | +13.81 | -3.37 | +0.86 | +4.85 |
| Finland | +0.02 | -4.83 | +44.37 | +5.83 | +10.79 | +15.16 |
| France | -1.28 | -7.99 | -0.55 | -15.97 | -12.85 | -9.19 |
| Germany | +1.06 | -4.54 | +16.42 | -10.73 | -6.48 | -2.78 |
| Ireland | -0.87 | -2.66 | +5.30 | -8.94 | -5.47 | -1.74 |
| Italy | -2.54 | -7.09 | +23.20 | +9.92 | +14.17 | +18.68 |
| Netherlands | -0.11 | -4.55 | +10.58 | -8.89 | -4.81 | -1.05 |
| Norway | +1.71 | -4.04 | +17.23 | -3.04 | +0.67 | +4.65 |
| Spain | -0.20 | -9.00 | +10.01 | -10.16 | -6.10 | -2.39 |
| Sweden | -1.93 | -8.84 | +19.19 | -4.74 | -2.37 | +1.48 |
| Switzerland | +0.36 | -4.87 | +10.60 | -10.63 | -4.55 | -0.77 |
| UK | +2.02 | -2.29 | +2.08 | -13.55 | -13.56 | -10.14 |
| EUROPE | +0.83 | -4.62 | +7.44 | -10.89 | -8.34 | -4.72 |
| Australia | -2.81 | -5.43 | +11.74 | -8.81 | -5.83 | -2.10 |
| Hong Kong | -3.06 | -7.20 | +20.37 | -28.22 | -30.86 | -28.23 |
| Japan | -0.86 | -1.48 | +4.62 | +14.20 | +24.23 | +29.13 |
| Malaysia | -2.99 | +3.22 | +43.25 | -24.71 | -25.09 | -22.13 |
| New Zealand | -2.86 | -7.41 | +17.92 | -9.34 | -6.82 | -3.14 |
| Singapore | -2.00 | -3.64 | +24.40 | -14.70 | -13.35 | -9.93 |
| Canada | +1.20 | -6.99 | +3.33 | -5.78 | -13.14 | -9.71 |
| USA | +0.82 | -2.97 | -0.87 | -4.15 | -7.79 | -4.15 |
| Mexico | +1.05 | -7.40 | +37.72 | -12.62 | -23.04 | -20.00 |
| South Africa | -3.36 | -1.35 | +35.10 | +10.26 | -4.31 | -0.52 |
| WORLD INDEX | -0.01 | -3.04 | +4.24 | -2.12 | -0.76 | +3.17 |

† Based on July 1st 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

EUROPE

# Paris bourse collapses in Alcatel aftermath

The fragility of yesterday's bourse gains was emphasised by the low level of turnover in Germany, and the rapid downswing on bad news in France, *writes Our Markets Staff*.

PARIS collapsed in the afternoon as Alcatel-Alsthom, the energy and telecommunications conglomerate, confirmed that its chairman, Mr Pierre Suard, had been questioned by police in the Paris region.

Alcatel, France's second biggest quoted company and with a near 8 per cent weighting in the CAC-40 index, fell FFr49 to FFr541; the CAC 40 index closed 6.68 lower at 1,866.18 after an intraday peak more than 40 points higher.

Turnover was thin at FFr2.7bn. There were worries that there could be a knock-on effect from the Alcatel affair, and Générale des Eaux, for example, lost FFr11 at FFr515 after a day's high of FFr551.

Elsewhere, AGF, the insurer, dropped FFr29.20, or 6.3 per cent, to FFr437.80, although brokers found nothing severely disappointing in a domestic press report yesterday.

FRANKFURT took a day off from immediate worries about American initiatives in the currency, bond and equity markets, and the Dax index, having risen 17.89 to 2,054.40 on the session, extended its gains in the afternoon to end on an Ibis-indicated 2,061.70.

However, the upswing was described as fragile. Brokers pointed to turnover, down from DM5.9bn to DM4.4bn, and said the market was waiting for the result of today's Federal Open Market Committee in Washington, and its potential effect on US interest rates.

Other potential foreign influences included the visit of Chinese Prime Minister Li Peng, who said that China will agree business deals worth $3.5bn with German companies this week. However, while Siemens said it had big prospects here, dealers said that a DM7.50 rise to DM682.50 for the stock was not connected with the Chinese visit.

Domestic news included a DM10 rise to DM704 for Deutsche Bank, after it said there was no evidence of "dishonourable conduct" by members of Deutsche's staff in regard to the Schneider affair.

MILAN marked time in very thin turnover, the Comit index gaining 3.43 at 686.84.

Shares in Cartiere Burgo, the paper maker, recovered from a low of L8,700 to finish L384, or 4.1 per cent, down at L9,080 in reaction to its announcement on Friday of a L230bn capital call to finance future purchases. The stock was suspended temporarily at the start of trade because the sharp price fall made it difficult to match orders.

Fiat put on L84 at L6,458 in further response to last week's positive forecasts, although volume was a low 5m shares.

ZURICH was higher in low volume, the SMI index adding 47.5, or 1.8 per cent, to finish at a day's high of 2,636.4.

Banks were firmer, with some said to be using the low volume to push their own shares higher. CS Holding bearers, up SFr24 at SFr574, led the active list.

Among exporters benefiting from expectations of a firm dollar, Roche certificates rose SFr85 to SFr6,415, Brown Boveri SFr28 to SFr1,191 and Nestlé SFr14 to SFr1,131.

AMSTERDAM found support in a steady dollar and marginally higher bond prices. The AEX index rose 3.48 to 388.00.

ABN-Amro firmed 80 cents to Fl 60.40 on the view that it had been oversold during the market's recent fall, while DSM, the chemicals group with cyclical recovery potential, moved up Fl 4 to Fl 133.60.

BRUSSELS climbed on selective programme buying from London, the Bel-20 index ending 30.52, or 2.2 per cent, stronger at 1,432.66.

Higher bond prices and a firm dollar were also put forward as reasons for the rally, which took the interest rate-sensitive utility Electrabel up 2.9 per cent to BFr5,660 in the day's largest volume. Royale Belge, Belgium's largest insurance group, rose BFr380, or 7.6 per cent, to BFr5,380, but dealers said the stock was illiquid and catching up with the market after lagging behind for three months.

MADRID trading was hindered by technical problems but the general index still managed to rise 1.74 to 306.83 in turnover of Pta18.9bn.

Telefónica was the most active stock, up Pta35 at Pta1,805 in some 5.4m shares following last week's move into the Unisource European telecoms joint venture with companies from the Netherlands, Switzerland and Sweden.

TEL AVIV extended Sunday's near 4 per cent fall with a further 3 per cent decline, leaving the market at its low for the year. The Mishtanim index lost 4.95 at 159.40, for a 40 per cent drop since the start of the year, in turnover up to Shk162m from Shk125m.

The declines prompted Mr Yitzhak Rabin, the prime minister, to express concern, saying the economic situation was far better than was suggested by the performance of the stock exchange.

HELSINKI rose 1.2 per cent, led higher by strong gains for Nokia shares. The Hex index added 20.6 at 1,698.3.

Nokia jumped FM24 to FM451 and the preferred FM15 to FM450: the shares found strong demand in New York on Friday after the company announced the pricing for an offering of 5.8m preferred shares.

Written and edited by William Cochrane and Michael Morgan

## FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

| Jul 4 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1320.15 | 1320.90 | 1321.23 | 1323.59 | 1325.11 | 1326.97 | 1327.20 | 1326.87 |
| FT-SE Eurotrack 200 | 1358.00 | 1358.19 | 1360.00 | 1362.56 | 1364.33 | 1365.69 | 1366.31 | 1366.52 |

| | Jul 1 | Jun 30 | Jun 29 | Jun 28 | Jun 27 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1314.32 | 1322.54 | 1331.80 | 1327.53 | 1313.43 |
| FT-SE Eurotrack 200 | 1351.97 | 1362.96 | 1362.43 | 1364.58 | 1342.95 |

Base 1000 (26/10/90): High/day: 100 - 1326.32; 200 - 1366.70; Low/day: 100 - 1319.20; 200 - 1357.30

ASIA PACIFIC

# Nikkei firmer on small-lot buying

**Tokyo**

Most investors remained inactive ahead of the Bank of Japan's quarterly branch managers' meeting and the Group of Seven summit in Naples, and share prices gained moderate ground on small-lot buying in low volume, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 average rose 88.52 to 20,631.93. Following a morning session in which the index saw a day's low of 20,573.21 and a high of 20,703.14, it stayed in a narrow trading range.

Arbitrageurs, leading sellers during the previous week, took a breather as the yen's ascent, which depressed share prices, halted briefly yesterday. Uncertainty over a possible concerted interest rate move, incorporating a US increase, and falls in Germany and Japan, prevailed.

Foreign investors were also absent, but domestic institutions and new investment trusts placed small-lot orders, and volume totalled 248m shares against 372m.

The Topix index of all first section stocks moved up 10.57 to 1,672.73, while the Nikkei 300 put on 1.70 at 304.00. Advances led declines by 732 to 280, with 176 issues unchanged, and in London the ISE/Nikkei 50 index firmed 1.61 to 1,366.99.

Dealers bought back export-oriented high-technology issues, which faced selling due to the yen's strength. However, some shares which had risen last week on the portable telephone theme lost ground on profit-taking.

Nippon Telegraph and Telephone, which rose sharply last week on hopes of a broader investor base following its planned listing on the London and New York stock exchanges, dipped Y9,000 to Y872,000 on profit-taking.

DDI, the long distance telecom operator, declined Y100,000 to Y9.35m. However, Nitsuko, a telecom equipment maker, firmed Y20 to Y1,590 and Kyocera, DDI's top shareholder, added Y60 at Y7,500.

Mitsubishi Oil, the most active issue of the day, gained Y40 at Y1,120. The company is seen as a beneficiary of the high yen due to its crude oil imports, while some investors continue to be bullish over the company's previous news of its oil well discovery in Vietnam.

Mitsui Mining and Smelting, which gained ground recently on the rise in commodity prices, lost Y4 at Y416.

In Osaka, the OSE average moved ahead 172.69 to 23,130.18 in volume of 15.2m shares.

**Roundup**

*Most of the region had a quiet day, although one or two markets had their moments.*

SYDNEY fixed upon last Friday's late gains on Wall Street, and the All Ordinaries index rose 21.3 to 1,987.1. Resource stocks were the day's main winners, with the all resources index up 20.2 to 1,283.3.

Turnover was A$409m. Foster's Brewing topped turnover with 7.7m shares traded. The stock closed a cent firmer at A$1.09. MIM Holdings, which climbed 4 cents to A$2.90 in 3.5m shares dealt, was the most traded resource issue.

● The Australian Stock Exchange launched a new stock index called the ASX100 as part of a series of new indices which will be available by the end of the year.

Mr Richard Humphry, ASX's managing director, told reporters that the new index, introduced in response to local institutions and managed funds, covers companies among the top 120 by market capitalisation, which have about 1 per cent of their stock traded per month.

Mr Humprhry said that funds need a new benchmark: the All Ordinaries index covers 307 stocks, whereas many funds only invest in 30 or 40.

WELLINGTON followed gains in Telecom and Fletcher Challenge, up 15 cents to NZ$4.68 and 11 cents to $3.77 respectively, the NZSE-40 index closing 26.45 higher at 2,003.75.

SEOUL's composite index rose 12.93 to 951.23 after a rebound in blue chips. Brokers said that unfounded rumours of an expansion of foreign ownership in local stocks helped to boost the market.

TAIPEI closed off its highs but the weighted index still ended 61.79, or 1 per cent, better at 6,067.63, after strong buying in electronics. Turnover rose to T$64.42bn, from T$40.96bn in Saturday's shortened session.

HONG KONG's turnover shrank to an 18-month low, a preliminary HK$1.30bn, against Friday's adjusted HK$2.29bn and the lowest since HK$954m on January 4, 1993. The Hang Seng index finished 6.09 down at 8,526.28.

KARACHI fell sharply at the close on profit-taking before settlement today and on lack of institutional support. The KSE 100 index shed 23.98, or 1 per cent, to 2,314.93.

Dewan Salman Fibre, up sharply before the 1994/95 budget, retreated Rs7.50 to Rs164 on profit-taking.

## Rolimpex offer returns to original price

Yesterday saw the public offer of 50 per cent of the equity in Rolimpex, the state-owned agricultural goods import and export company, open at the original minimum price of 300,000 zlotys per share, in spite of earlier statements by the Privatisation Ministry that the price would be reduced to take in the market downturn, *writes Christopher Bobinski in Warsaw*.

Defending this, Mr Wieslaw Kaczmarek, the minister, said: "It is not my intention to contribute to the fall in prices by dropping the Rolimpex price – it is a first rate company."

Yesterday also saw the first market quotation of shares in the recently privatised Jelfa pharmaceuticals group, which fell 7 per cent from the initial public offer price of 300,000.

Equities staged a rebound after the recent correction, but light volume and moderate price movements were seen as signals that the market had not recovered confidence after more than three months of bearish trade. The Wig index rose 226.5, or 2.9 per cent, to 8,019.0 in turnover that fell 7.5 per cent to 589bn zlotys.

## CANADA

Toronto posted modest gains in very light midday activity as some bargain hunting emerged to provide direction after its long holiday weekend.

The TSE 300 composite index had risen 19.66 to 4,044.91 by noon in extremely quiet volume of 8.8m shares.

Advancing issues outnumbered declines by 207 to 179, with 221 stocks holding steady. Wall Street was closed for the Independence Day holiday.

Base metals shares provided a foundation for the gains. The sector rose 48.23, or 1.4 per cent, to 3,618.16 as Alcan Aluminium advanced C$⅝ to C$31⅝ and Inco C$⅜ to C$34¼.

Northern Telecom put on C$1 at C$39¾ and Newbridge Networks firmed C$1¼ to C$45⅝ as they caught up with US gains made on Friday.

## SOUTH AFRICA

Johannesburg made steady gains in response to the strength of bullion and rises elsewhere. The overall index ended 52 better at 5,454, industrials added 54 at 6,287 and golds put on 36 at 2,163. De Beers rose 75 cents to R107.75.

## FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at JUNE 30, 1994 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

| NATIONAL AND REGIONAL MARKETS (number of lines of stock) | Market cap. as at 30/06/94 (US$m) | % of World Index | Market cap. as at 31/03/94 (US$m) | % of World Index | % chge in $ Index since 31/12/93 |
|---|---|---|---|---|---|
| Australia (69) | 138029.9 | 1.49 | 134650.5 | 1.51 | -0.69 |
| Austria (17) | 13346.0 | 0.14 | 12631.5 | 0.14 | 0.99 |
| Belgium (37) | 62476.3 | 0.68 | 61722.7 | 0.69 | 1.86 |
| Canada (108) | 140043.1 | 1.51 | 148114.8 | 1.66 | -9.70 |
| Denmark (33) | 35186.5 | 0.38 | 32367.9 | 0.36 | 5.30 |
| Finland (24) | 20911.9 | 0.23 | 19736.0 | 0.22 | 17.04 |
| France (97) | 296223.9 | 3.20 | 304744.1 | 3.42 | -8.29 |
| Germany (58) | 317682.7 | 3.43 | 323195.6 | 3.63 | -2.90 |
| Hong Kong (56) | 179909.1 | 1.94 | 187775.0 | 2.11 | -27.15 |
| Ireland (14) | 12500.2 | 0.14 | 12398.3 | 0.14 | -1.31 |
| Italy (60) | 130029.9 | 1.41 | 139935.2 | 1.57 | 19.97 |
| Japan (469) | 2963478.3 | 32.03 | 2651215.3 | 29.74 | 30.25 |
| Malaysia (96) | 98003.7 | 1.06 | 70768.0 | 0.79 | -21.35 |
| Mexico (18) | 69968.8 | 0.76 | 74888.4 | 0.84 | -19.71 |
| Netherland (27) | 173009.2 | 1.87 | 157746.7 | 1.77 | -1.07 |
| New Zealand (14) | 17006.7 | 0.18 | 16194.1 | 0.18 | -2.86 |
| Norway (23) | 9550.7 | 0.10 | 9412.6 | 0.11 | 5.18 |
| Singapore (44) | 50528.2 | 0.55 | 44232.8 | 0.50 | -8.90 |
| South Africa (59) | 102514.3 | 1.11 | 90190.4 | 1.01 | -0.37 |
| Spain (42) | 90263.8 | 0.98 | 82604.5 | 0.93 | -1.86 |
| Sweden (36) | 75105.2 | 0.81 | 74096.7 | 0.83 | 5.59 |
| Switzerland (47) | 218046.3 | 2.36 | 219037.9 | 2.46 | 0.18 |
| United Kingdom (205) | 850824.8 | 9.20 | 851609.0 | 9.55 | -10.29 |
| USA (519) | 3186987.8 | 34.45 | 3193920.8 | 35.83 | -4.55 |
| EUROPE (720) | 2305158.4 | 24.92 | 2301257.6 | 25.82 | -4.35 |
| Nordic (116) | 140754.3 | 1.52 | 135632.2 | 1.52 | 7.19 |
| Pacific Basin (750) | 3446955.9 | 37.26 | 3104835.7 | 34.83 | 21.03 |
| Euro-Pacific (1470) | 5752114.2 | 62.17 | 5406093.3 | 60.65 | 9.48 |
| North America (625) | 3327030.9 | 35.96 | 3342035.6 | 37.50 | -4.78 |
| Europe Ex. UK (515) | 1454333.5 | 15.72 | 1449648.6 | 16.26 | -0.49 |
| Pacific Ex. Japan (281) | 483477.5 | 5.23 | 453620.4 | 5.09 | -16.77 |
| World Ex. US (1653) | 6064638.4 | 65.55 | 5719286.9 | 64.17 | 8.30 |
| World Ex. UK (1967) | 8400801.4 | 90.80 | 8061598.8 | 90.45 | 5.08 |
| World Ex. So. Af. (2113) | 9149111.9 | 98.89 | 8823017.3 | 98.99 | 3.52 |
| World Ex. Japan (1703) | 6288148.0 | 67.97 | 6261992.5 | 70.26 | -5.75 |
| The World Index (2172) | 9251626.3 | 100.00 | 8913207.8 | 100.00 | 3.47 |

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## FT-ACTUARIES WORLD INDICES

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| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY JULY 1 1994 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY JUNE 30 1994 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 163.36 | -1.4 | 157.47 | 101.92 | 135.43 | 149.10 | -1.2 | 3.70 | 165.72 | 159.19 | 103.34 | 137.12 | 150.89 | 189.15 | 133.45 | 133.46 |
| Austria (17) | 185.75 | -0.6 | 179.08 | 115.90 | 153.99 | 154.15 | -0.1 | 1.04 | 186.82 | 179.45 | 116.49 | 154.57 | 154.35 | 195.41 | 142.90 | 147.24 |
| Belgium (37) | 164.52 | -0.7 | 158.59 | 102.65 | 136.39 | 133.28 | -0.4 | 4.15 | 165.67 | 159.14 | 103.30 | 137.07 | 133.80 | 176.67 | 143.62 | 148.46 |
| Canada (108) | 122.60 | 0.0 | 118.19 | 76.50 | 101.64 | 122.67 | 0.0 | 2.78 | 122.61 | 117.78 | 76.45 | 101.45 | 122.67 | 145.31 | 120.54 | 127.25 |
| Denmark (33) | 259.18 | -0.4 | 249.85 | 161.71 | 214.87 | 220.75 | -0.2 | 1.34 | 260.31 | 250.04 | 162.31 | 215.36 | 221.27 | 275.79 | 207.58 | 218.14 |
| Finland (24) | 141.88 | -1.6 | 136.77 | 88.52 | 117.62 | 158.46 | -1.3 | 0.90 | 144.19 | 138.51 | 89.91 | 119.31 | 160.48 | 156.72 | 92.56 | 92.56 |
| France (97) | 159.79 | -1.0 | 154.03 | 99.69 | 132.46 | 136.96 | -0.9 | 3.28 | 161.40 | 155.04 | 100.64 | 133.54 | 138.21 | 185.37 | 149.60 | 158.02 |
| Germany (58) | 136.34 | 0.1 | 131.43 | 85.06 | 113.02 | 113.02 | 0.3 | 1.83 | 136.17 | 130.80 | 84.91 | 112.67 | 112.67 | 147.07 | 109.28 | 109.91 |
| Hong Kong (56) | 351.17 | -1.5 | 338.52 | 219.10 | 291.13 | 348.47 | -1.5 | 3.40 | 356.47 | 342.42 | 222.28 | 294.96 | 353.75 | 506.56 | 271.42 | 290.66 |
| Ireland (14) | 181.99 | -0.4 | 175.44 | 113.55 | 150.88 | 168.63 | -0.4 | 3.62 | 182.78 | 175.57 | 113.97 | 151.24 | 169.34 | 209.33 | 155.93 | 162.80 |
| Italy (60) | 81.40 | -1.1 | 78.47 | 50.79 | 67.48 | 96.39 | -0.9 | 1.64 | 82.28 | 79.04 | 51.31 | 68.08 | 97.26 | 97.78 | 57.86 | 67.85 |
| Japan (469) | 168.04 | -0.9 | 161.99 | 104.84 | 139.31 | 104.84 | -0.8 | 0.73 | 169.49 | 162.81 | 105.68 | 140.24 | 105.68 | 169.49 | 124.54 | 147.61 |
| Malaysia (96) | 460.65 | -1.0 | 444.06 | 287.41 | 381.89 | 462.09 | -0.9 | 1.77 | 465.24 | 446.90 | 290.10 | 384.95 | 466.39 | 621.63 | 322.60 | 324.81 |
| Mexico (18) | 1910.19 | -0.4 | 1841.37 | 1191.82 | 1583.57 | 7085.25 | -0.2 | 1.89 | 1917.00 | 1841.40 | 1195.34 | 1586.12 | 7100.03 | 2647.08 | 1481.21 | 1502.56 |
| Netherland (27) | 197.02 | 0.0 | 189.93 | 122.93 | 163.34 | 160.81 | 0.2 | 3.53 | 196.97 | 189.20 | 122.82 | 162.97 | 160.47 | 207.43 | 164.59 | 167.13 |
| New Zealand (14) | 65.78 | -0.2 | 63.41 | 41.04 | 54.53 | 58.44 | -0.7 | 4.09 | 65.95 | 63.35 | 41.12 | 54.57 | 58.83 | 77.59 | 50.55 | 50.65 |
| Norway (23) | 168.00 | -0.5 | 161.22 | 117.29 | 155.85 | 177.80 | -0.2 | 1.86 | 168.94 | 161.49 | 117.81 | 156.33 | 178.09 | 206.42 | 163.27 | 165.47 |
| Singapore (44) | 331.05 | -1.1 | 319.13 | 206.55 | 274.45 | 232.44 | -1.2 | 1.82 | 334.81 | 321.61 | 208.77 | 277.03 | 235.31 | 378.92 | 244.27 | 249.51 |
| South Africa (59) | 265.75 | -0.1 | 256.17 | 165.81 | 220.31 | 276.19 | -0.1 | 2.28 | 266.15 | 255.65 | 165.96 | 220.21 | 276.61 | 284.68 | 175.93 | 200.25 |
| Spain (42) | 136.02 | -0.5 | 131.12 | 84.86 | 112.76 | 135.56 | -0.6 | 4.27 | 136.75 | 131.36 | 85.27 | 113.16 | 136.34 | 155.79 | 116.33 | 126.49 |
| Sweden (36) | 199.28 | -3.9 | 192.11 | 124.34 | 165.21 | 230.82 | -2.1 | 1.73 | 207.36 | 199.18 | 129.30 | 171.57 | 235.90 | 231.35 | 168.07 | 169.83 |
| Switzerland (47) | 158.90 | -0.9 | 153.18 | 99.14 | 131.73 | 131.76 | -1.0 | 1.64 | 160.43 | 154.10 | 100.03 | 132.74 | 133.07 | 176.56 | 124.46 | 128.96 |
| United Kingdom (205) | 184.28 | 0.2 | 177.62 | 114.97 | 152.76 | 177.62 | 0.5 | 4.24 | 183.95 | 176.69 | 114.70 | 152.20 | 176.69 | 214.96 | 170.32 | 177.12 |
| USA (519) | 182.03 | 0.4 | 175.48 | 113.58 | 150.91 | 182.03 | 0.4 | 2.94 | 181.26 | 174.11 | 113.02 | 149.97 | 181.26 | 198.04 | 178.95 | 189.82 |
| EUROPE (720) | 161.57 | -0.4 | 155.75 | 100.81 | 133.94 | 147.08 | -0.1 | 3.17 | 162.21 | 155.81 | 101.14 | 134.21 | 147.27 | 178.88 | 142.48 | 144.56 |
| Nordic (116) | 198.06 | -2.5 | 190.94 | 123.58 | 164.21 | 196.43 | -1.4 | 1.52 | 203.07 | 195.06 | 126.62 | 168.02 | 199.23 | 220.60 | 160.28 | 161.91 |
| Pacific Basin (750) | 173.96 | -0.9 | 167.70 | 108.54 | 144.22 | 113.76 | -0.9 | 1.05 | 175.57 | 168.65 | 109.48 | 145.27 | 114.73 | 175.57 | 134.79 | 151.19 |
| Euro-Pacific (1470) | 168.62 | -0.7 | 162.55 | 105.21 | 139.79 | 127.46 | -0.6 | 1.90 | 169.83 | 163.13 | 105.89 | 140.51 | 128.16 | 170.78 | 143.88 | 148.36 |
| North America (625) | 178.35 | 0.4 | 171.93 | 111.28 | 147.85 | 177.96 | 0.4 | 2.84 | 177.62 | 170.62 | 110.75 | 146.96 | 177.25 | 192.73 | 175.67 | 180.12 |
| Europe Ex. UK (515) | 145.69 | -0.7 | 140.44 | 90.90 | 120.78 | 128.49 | -0.5 | 2.54 | 146.75 | 140.96 | 91.50 | 121.42 | 129.15 | 157.47 | 123.61 | 124.53 |
| Pacific Ex. Japan (281) | 235.60 | -1.3 | 227.12 | 147.00 | 195.32 | 212.02 | -1.2 | 3.01 | 238.68 | 229.27 | 148.83 | 197.49 | 214.66 | 296.21 | 184.93 | 188.64 |
| World Ex. US (1653) | 169.26 | -0.7 | 163.16 | 105.60 | 140.32 | 130.57 | -0.5 | 1.93 | 170.41 | 163.69 | 106.26 | 141.00 | 131.28 | 172.61 | 145.58 | 148.99 |
| World Ex. UK (1967) | 171.34 | -0.3 | 165.16 | 106.90 | 142.04 | 143.48 | -0.3 | 2.08 | 171.93 | 165.15 | 107.20 | 142.25 | 143.88 | 175.58 | 155.86 | 157.90 |
| World Ex. So. Af. (2113) | 171.94 | -0.3 | 165.75 | 107.28 | 142.54 | 146.70 | -0.2 | 2.26 | 172.45 | 165.65 | 107.53 | 142.69 | 146.00 | 178.56 | 157.61 | 159.42 |
| World Ex. Japan (1703) | 177.32 | 0.0 | 170.93 | 110.63 | 147.00 | 170.22 | 0.1 | 3.01 | 177.38 | 170.36 | 110.60 | 146.76 | 170.10 | 196.20 | 166.06 | 167.85 |
| The World Index (2172) | 172.50 | -0.3 | 166.29 | 107.63 | 143.00 | 146.67 | -0.2 | 2.28 | 173.01 | 166.19 | 107.88 | 143.15 | 146.98 | 178.97 | 157.88 | 169.60 |

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US market closed 4/7/94.